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EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

SAMUEL BRITTON

Why unemployment has risen so much

Page 19

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Monday September 30 1991

World News

Business Summary

Arafat wins mandate for peace talks from PNC

Palestine Liberation Organisation chairman Yasser Arafat emerged from a session of the Palestinian "parliament" better placed to negotiate on Palestinian representation at proposed Middle East peace talks. Page 20

Tbilisi bomb blast

A powerful explosion hit Tbilisi's television centre, which opponents of Georgia's president, Zviad Gamsakhurdia, have turned into an armed stronghold. Several people were injured by flying glass, according to witnesses.

Milosevic connection

Serbian president Slobodan Milosevic has played a key role in co-ordinating federal military operations in Croatia and Bosnia-Herzegovina, a Belgrade newspaper says. Page 3

Angola rebel returns

Angolan rebel leader Jonas Savimbi, head of the Unita movement which has been fighting the country's left-wing government, was greeted in the capital, Luanda, by big crowds when he returned home for the first time for 16 years. Page 6

Army parades in China

China staged its first military parade since 1984. The parade, in the southern city of Guangzhou, was seen as reaffirming army support for communism and as a message for Taiwan and Hong Kong. Hong Kong protest, picture Page 6

Floods strand 3km

More flooding in Bangladesh has stranded at least 500,000 people. Four rivers burst their banks in a region 75 miles north of the capital, Dhaka.

SPD loses in Bremen

Germany's SPD lost its overall majority in the Bremen state parliament, in which the extreme right-wing DVU won an estimated six seats. Page 20

11 die in fight at mine

Eleven black people were killed in renewed inter-ethnic fighting at Impela Platinum Mine in the black South African homeland of Bophuthatswana. VAT strains hopes of political peace. Page 6

Salvador murder verdict

A jury in El Salvador found an army colonel guilty of murdering six Jesuit priests, their housekeeper and her daughter in 1980. Eight other soldiers were acquitted, but a lieutenant was convicted of killing the housekeeper's daughter.

Policeman in custody

An Irish policeman was remanded in custody in Dublin charged with violating the Official Secrets Act. The court heard that Denis Kelly, 28, was suspected of belonging to the Irish Republic Army, which is fighting British rule in Northern Ireland.

UN mission resumes

UN nuclear inspectors went back to work in Iraq after being held for four days during a row over sensitive documents. Page 6

UK opposition move

British opposition Labour party leader Neil Kinnock crushed left-wingers' attempt to halt a purge of Militant, a left wing group. Labour conference, Page 9

Belgian reshuffle

Belgian prime minister Wilfried Martens, facing elections in under four months, reshuffled his cabinet to prevent the fall of his coalition. Page 4

French farmers protest

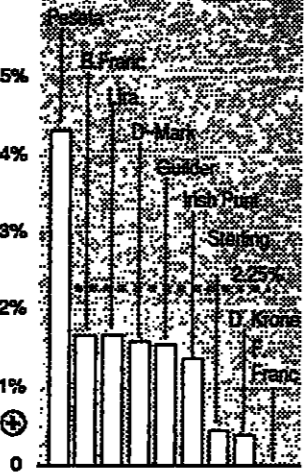
About 100,000 farmers converged on Paris for a largely peaceful protest against falling subsidies and rising imports from West Europe. Page 3

Budget may bring peseta into narrow ERM band

Spain's finance minister, Carlos Solchaga, outlined his conservative budget at the weekend with a promise of a "year of recovery" for the economy. Analysts believe the budget raises the likelihood of the peseta making an early entry into the narrow band of the exchange rate mechanism of the European Monetary System.

The peseta remained at the top of the EMS grid last week although its lead over the weakest currency, the French franc, narrowed. Speculation about a reduction in Spanish interest rates lay behind its decline. Sterling weakened as opinion polls put the Labour party ahead of the Conservatives. The French franc remained at the bottom of the grid. Page 20: Currencies, Page 33; Notebook, Page 21

EMS September 27, 1991 GRID



The chart shows the member currencies of the EMS measured against the weakest currency in the EMS's narrow 2.25 per cent fluctuation band. In practice, currencies in the EMS narrow band cannot rise more than 2.25 per cent from the weakest currency in that part of the system. Sterling and the Spanish peseta operate with 6 per cent fluctuation bands.

UK government proposals to introduce photographs on bank credit and cash machine cards are being resisted by banks. Page 20

BERLIN'S majority stakes in the Berliner Bank, the Landesbank, Württembergische Kreditbank Berlin and the mortgage group Berliner Pfandbrief-Bank may be merged under the umbrella of a new company, Berliner Banken Holding (BBH). Page 21

UK small investors are to be offered around £2.5bn worth of shares in BT, formerly British Telecom, when the government sells part of its remaining 49 per cent stake later this year. Page 21

OLD Mutual, South Africa's largest life insurance company, has called off a planned investment fund designed to tempt international investors back into South African shares. Page 6

FERRIZZI Finanziaria (Ferrifin), the Italian financial holding company controlling the Ferruzzi-Montedison group of companies, reported a fall in first-half group consolidated profits after minority interests in LSSB (88.8km) from L180bn last year. Page 23

ALGERIA devalued the dinar by 22 per cent as part of its continuing efforts to liberalise its tightly state-controlled economy. Page 6

BRAZIL has set a new date for the start of its privatisation programme after its first attempt at a state sell-off collapsed. Usiminas, the country's largest steel mill, will now be sold on October 15. Page 6

Unilateral reductions could still be reversed, Cheney warns US seeks response on N-arms

By George Graham in Washington, Leyla Boulton in Moscow, Ian Davidson in Paris and Christopher Parkes in Bonn

THE US could still reverse some of its unilateral nuclear arms cuts if the Soviet Union does not respond positively, Mr Dick Cheney, the US defence secretary, warned yesterday.

Mr Cheney and other administration officials said they viewed the initial response of Soviet president Mr Mikhail Gorbachev as positive.

"We did not expect anything other than a general sort of endorsement which I think we got yesterday," Mr Cheney said.

Mr Gorbachev said on Saturday he still had questions about the US initiative, but that he and President George Bush had agreed to set up a mechanism to discuss them.

"I think we are witnessing a major event which gives the world great hope," Mr Gorbachev said.

Mr General Brent Scowcroft, Mr Bush's national security adviser, said there were no conditions attached to the president's proposals to eliminate theatre nuclear weapons, put sea-based tactical nuclear weapons into store and reduce the alert status of strategic bombers and missiles. However, Mr Cheney said some of the measures could be reversed.

"We can put the bomber force back on alert. We can redeploy our sea-based tactical nuclear systems," he warned. Mr Gorbachev had questioned whether the US proposal to negotiate the elimination of multiple warhead missiles included submarine-launched strategic nuclear missiles - in which the US has a significant advantage over the Soviet Union.

Mr Cheney made clear he



Waiting in the wings: members of the last crew to be on alert at Carswell Air Force Base in Texas talk in the shadow of their B-52 bomber after being ordered to stand down. The base has been on alert since 1957

regarded these missiles as essential to the future US deterrent.

"We have consistently argued and continue to argue that those sea-based systems are different than land-based systems, that a land-based missile with multiple warheads on it is a very ripe target for the other side, and that there would be a temptation in a crisis to launch rather than lose that capability. Sea-based systems are radically different," he said.

Mr Cheney argued that the US proposals targeted the most

destabilising elements of both sides' nuclear forces: weapons such as the Soviet SS-18 and the US MX Peacekeeper intercontinental ballistic missiles.

Mr Gorbachev's response only thinly masked Moscow's eagerness to pursue arms reductions. His own spokesman, Mr Andrei Grachev, and Mr Boris Pankin, foreign minister, said the Soviet Union would match the cuts.

Mr Boris Yeltsin, the Russian president, unconditionally endorsed the US initiative and called for matching concessions by Mr Gorbachev.

Mr Bush's proposals include ending the development of a rail-based launch system for the Peacekeeper missile, but the Senate last week voted to eliminate \$225m of funding for this deployment from the 1992 Pentagon budget.

US military officials see theatre nuclear weapons as having little purpose now that the Soviet army is withdrawing from eastern Europe, reducing the risk of a surprise attack.

The German chancellor, Mr Helmut Kohl, described Mr Bush's initiative as "a decision

on an historic scale".

Mr Francois Mitterrand, French president, warmly welcomed the US proposals, but made clear that France did not yet consider itself obliged to offer further reductions in its own nuclear arsenal.

Mr Tom King, UK defence secretary, reaffirmed that the British government would continue with its Trident submarine-launched missile system.

Editorial Comment: Hand of friendship, Page 18
French response, Page 2

Romanians strive to forge coalition

By Judy Dempsey in Bucharest

ROMANIA'S president, Mr Ion Iliescu, was last night attempting to fill his country's political vacuum by forming a broad-based coalition government.

His move came after rioting miners forced the resignation last week of Mr Petre Roman, the prime minister.

But Mr Roman, in what appears to be a direct challenge to the miners and Mr Iliescu, yesterday reiterated his determination to remain in office, saying he would not "yield to violence".

Miners from the Jiu Valley coalfields in western Romania last Wednesday commandeered

trains to Bucharest, the capital. They toppled the government on Thursday and ransacked the parliament building on Friday in protest at Mr Roman's austerity measures and economic reforms.

Mr Roman yesterday said that elections, scheduled to take place next February after the drawing up of a new constitution, should be brought forward and be held before the end of this year.

His remarks are likely to fuel political uncertainty and instability. They will also anger the miners, who returned home on Saturday morning after receiving assur-

ances from Mr Iliescu that prices would be frozen, wages increased and Mr Roman removed from office.

"No matter what government now takes office, the economic reforms will slow down," Mr Silviu Brucan, a sharp critic of Mr Iliescu and a former member of the ruling National Salvation Front's council, said.

Although life in Bucharest has started to return to normal, with many of the city's inhabitants spending yesterday outdoors enjoying the long, hot day, the centre is still filled with armed police and army patrols.

The smell of teargas, used on Saturday night to disperse small crowds of peaceful demonstrators from the central University Square, still hangs in the air.

The walls of the university and other public buildings are plastered with anti-government posters and slogans, demanding the resignation of Mr Iliescu.

Mr Iliescu, who is trying to regain the political initiative, faces strong opposition from political parties, each of which wants its own candidate as prime minister.

The executive council of the National Salvation Front,

which won a landslide victory in last year's elections but which is now rapidly disintegrating, yesterday put forward Mr Teodor Stolojan, as prime minister.

Mr Stolojan, a former finance minister, and later head of the privatisation programme under the Roman government, could be rejected by conservatives because he is too radical.

Other candidates include Mrs Marian Celac, an architect, and one of the leading members of the intellectual and liberal Group of Social Dialogue.

Iliescu weakened, Page 3

EC political union row to dominate Brussels meeting

By David Gardner in Brussels

EC FOREIGN ministers will today try to break the deadlock into which the Dutch presidency of the Community has driven talks on political union.

Last week the Netherlands was attacked by seven of its partners when it tabled new revisions to the Treaty of Rome which they believe reduce chances of agreement on a new union treaty at the Maastricht summit on December 9-10.

The Twelve may also decide at the two-day meeting in Brussels on whether to ask the Western European Union, the defence grouping to which nine of them belong, to send a force to Yugoslavia to support EC ceasefire monitors there. WEU defence ministers are due to hold a joint session with foreign ministers alongside today's meeting.

At what may prove a watershed meeting, the Twelve will also attempt to unblock negotiations with the seven-member European Free Trade Association (Efta) for a common free-trade zone from 1993. This was halted by rows over fisheries rights and heavy lorry traffic through the Alps.

Resumption of talks with Czechoslovakia, Hungary and Poland will also be sought on transitional "association agreements", which would give the three greater access to the EC market as well as the prospect of membership. New trade concessions were blocked on September 6 by France's refusal to allow in small additional amounts of east European meat.

The crowded agenda will be overshadowed by the crisis in the political union negotiations. Mr Rudi Lubbers, the Dutch prime minister, said yesterday he was "prepared to make changes that everyone accepts in foreign policy and defence policy". He acknowledged the new draft treaty was "a little bit too much" for the UK, but warned in a BBC interview

that the Dutch presidency was "not prepared... to go back to make a whole new treaty".

Today the Dutch want discussion on the five most contentious issues in the nine-month-old talks. These are:

- Plans to expand EC involvement in a common foreign and security policy (CFSP).
- Co-operation in internal security issues, from terrorism to immigration.
- More powers for the largely advisory European Parliament.
- The extent to which the EC north should finance the development of the southern member states.
- EC involvement in social policy.

The Dutch will come under strong pressure to revert, at least in part, to the draft treaty tabled by Luxembourg, their predecessor in the presidency. Luxembourg had put the controversial CFSP and judicial powers at the centre of the talks.

Continued on Page 20

Dutch stand firm, Page 3

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CONTENTS

THE MONDAY INTERVIEW

Carlos Salinas de Gortari, Mexico's president, is the product of the best of US education, an asset in dealing with economic problems, but one which has opened him to allegations of not understanding the problems of ordinary Mexicans. Page 38

International	2-6	Businessman's Diary	12
Companies	23	Crossword	23
Britain	3-11	Currencies	33
Companies	28	Editorial Comment	18
Art-Reviews	17	International funds	24
World News	17	Financial Diary	12
Business Comment	28		

Disarmament: President Bush has seized the moment with his nuclear arms proposals

Middle East: Obstacles remain to Palestinian representation at a peace summit	20
Computers: Apple's John Sculley talks to the FT on the eve of Apple's alliance with IBM	21
Italian budget: Compromise package postpones the day of reckoning	4
UK business: Uncertainty about the election date is disrupting business planning	8
European Community: EC leaders seek to end the impasse over political union	3
South Africa: The country's tax system enters a new phase with the introduction of VAT	6
Letters	19
Synthesised Loans	25
Management	12
Monday Page	38
Money Markets	33
Observer	18
Int Capital Markets	24-25
Weather	20

FT SURVEYS THIS WEEK

TODAY:	Hiroshima: City of peace seeking to emerge from the shadows.
TUESDAY:	Management Buy-Outs: Small deals are dominating.
WEDNESDAY:	Luxembourg: Success in diversity for the EC's smallest member.
THURSDAY:	World Textiles: Waiting on the outcome of Gatt's Uruguay Round.
FRIDAY:	Finland: Anxiously eyeing Europe's dramatic changes.

Management Buy-Outs: It's ours! Now for the really hard work. (Tomorrow's survey)

GN Great Nordic Holding

Notice to the shareholders concerning the issue of nominally DKK 8,190,000 bonus shares

At the Company's Annual General Meeting on 29 August 1991 a resolution was passed to increase the Company's share capital from DKK 73,710,000 to DKK 81,900,000 by the issue of DKK 8,190,000 new shares by way of bonus shares.

The bonus shares will be allotted at the ratio 9:1, so that the nominal value of each share is increased from DKK 90 to DKK 100. Each share of DKK 54 (technical securities code) is increased to DKK 60 and then exchanged for 3 shares of DKK 20 each.

Therefore no trade in bonus rights will take place.

Any shareholder registered with the Danish Securities Centre as at 11 October 1991 is entitled to receive bonus shares. The allotment of bonus shares and exchange will take place on 11 October 1991 after updating in the Danish Securities Centre.

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The Company offers shareholders who hold shares of DKK 20 (technical securities code) in connection with the issue and exchange, to exchange these shares free of charge in Denmark from 11 October to 8 November 1991 in such a manner that 5 shares of DKK 20 each will entitle the holder to one share of DKK 100. In connection with the exchange shareholders will be offered to purchase or sell shares of DKK 20 to the nearest number divisible by 5 free of Danish brokerage. Requests in this respect should be made to the shareholder's account-holding bank.

Copenhagen, September 1991
The Board of Directors of
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FINANCIAL TIMES CONFERENCE 30 SEPTEMBER 1991

THE CHALLENGE OF THE NEW EUROPE London, 7 October

The conference, to be arranged with the Council of Foreign Ministers of Commerce, will feature presentations by Dr Carl H. Hahn, Mr Anders Scharp, Mr Koichiro Ejiri and Sir Allen Sheppard, sharing their views on the opportunities and challenges of the new Europe. Investment in Eastern Europe will be addressed by Mr Guy de Selières.

FINANCIAL REPORTING IN THE UK London, 10 October

The ASB's agenda for reform will be reviewed by a speaker panel of representatives from all the interested parties, headed by Professor David Tweedie.

WORLD MOBILE COMMUNICATIONS London, 31 October & 1 November

The challenge to develop a mass market personal communications system and the implications for fixed line will be examined by Mr J. Shelby Bryan, Chairman, Millicom Inc., Mr Richard Goswell, Managing Director of Mercury Personal Communications and Mr Lars Rydin, Senior Manager, Televerket. Mr Richard Callahan, Executive Vice President of US WEST Inc., will speak on the growth of mobile communications in Central Europe and the Soviet Union.

THE EMERGING EUROPEAN TAX SYSTEM London, 6 & 7 November

Keynote speakers at this conference will include Mrs Christine Scrivener, Mrs Gillian Sheppard, MP and Mr Martin van Amelsvoort. The important issue of transfer pricing, European arbitration or US advance rulings, will be addressed by Mr Charles S. Triplett, from the US Internal Revenue Service and Mr Thomas Menck, German Federal Ministry of Finance.

FINANCE, INVESTMENT & TRADE WITH CZECHOSLOVAKIA Prague, 7 & 8 November

The Financial Times, in collaboration with the RILA, is bringing together senior politicians and leading figures from Czechoslovakia and the international business community to review the political and economic developments, and the new opportunities opening up for investment and business.

Ministers taking part include: Dr Vladimír Dlouhý, Dr Václav Klaus, Mr Josef Tošovský, Dr Karel Dyba, Prof. Dr Ing. Milan Buncák.

All enquiries should be addressed to: Financial Times Conference Organisation, 126 Jermyn Street, London SW1Y 4JL. Tel: 071-925 2323 (24-hour answering service). Telex: 27347 FTCONF G. Fax: 071-925 2125.

BUSH'S NUCLEAR CUTS

Superpowers will retain enough weapons to destroy each other

Surprise over proposals' range

By David White, Defence Correspondent

A SYMBOL of the Cold War was switched off at the weekend when Mr Dick Cheney, US defence secretary, ordered 40 nuclear bombers to be taken off alert.

This was the first step towards implementing the complex set of unilateral cuts, negotiating proposals and measures to deactivate nuclear weapons announced by President George Bush on Friday. Allies were informed in advance, but the scope of the proposals came as a surprise to most observers - the kind of surprise that a couple of years ago was being sprung more by Mr Mikhail Gorbachev than by the US.

However, even after these proposals and reductions under the US-Soviet Start treaty - signed in July but yet to be ratified - both nations will have more than enough weapons to wipe each other out.

Many - including long-range ballistic missiles hidden in the oceans on submarines, weapons in which the US, the UK and France hold a clear superiority over the Soviets - remain unaffected.

The proposals are therefore a far cry from the US-Soviet summit in Reykjavik five years ago when President Ronald Reagan came close to abandoning most and possibly all nuclear weapons, to the horror of European leaders who feared the removal of US protection.

However, they signal a sharp change in US thinking. After the Start treaty, hopes for a follow-up Start 2 with further bilateral cuts were muted. The Soviet military was not thought ready to accept further reductions and intrusion by treaty inspectors; it would be hard enough to implement and verify Start 1.

The aftermath of the failed Soviet coup altered this outlook in three ways. First, it

THE STRATEGIC NUCLEAR BALANCE Warhead totals and limits foreseen under Start treaty			
	US	USSR	Start limit
Intercontinental ballistic missiles	2,450	8,700*	
Submarine-launched ballistic missiles	5,400	2,600	
Total ballistic missiles	7,850	10,300	4,900
Warheads on bombers	1,250	300	
Total warheads	9,700	11,100	6,000

*Includes 3,000 warheads on heavy SS-18 missiles. US & USSR by 50 per cent under Start. Based on International Institute for Strategic Studies figures.

raised concern in both Washington and Moscow about control of Soviet nuclear weapons; even if the system of central control for releasing weapons was reliable, weapons could still be seized in breakaway republics.

Second, the political upheaval presented the opportunity for more radical disarmament with financial savings for the Soviets.

Third, confirmation of Moscow's effective retirement as a world superpower has speeded up a re-thinking of the whole role of nuclear weapons after the Cold War.

The US and its allies built up a deterrence strategy both against the threat of nuclear attack and conventional attack. This evolved in the 1980s into a strategy of "flexible response" based on a wide gamut of weapons, including US weapons of less-than-strategic range deployed in Europe.

The idea was to make a nuclear response more "credible" to the Soviets, and overcome doubts that the US would be prepared in the first instance to use its strategic weapons and expose its own territory to counter-attack.

With the decline of Soviet strength, the break-up of the Warsaw Pact and Soviet troop withdrawals from eastern

Europe, flexible response has already been largely dismantled. Nato now has conventional superiority, and therefore can rely less on resorting to nuclear means.

The scrapping of short-range missiles and nuclear artillery shells was already inevitable. Nato agreed last year that the US should stop plans to replace them with new weapons.

"There is a great deal of emotion about getting rid of something we have been wanting to get rid of for decades," commented Mr David Bolton, director of the Royal United Services Institute in London. Battlefield nuclear weapons are seen as serving no purpose now that there is no close-quarter confrontation on the central front.

The US has been reluctant, however, to try to negotiate a formal arms control treaty, as nuclear shells are small and hard to verify, and also because the Soviets would want to draw other categories of weapon into the talks. A decision to abandon these arms, in exchange for a similar Soviet commitment, was in any case expected to be endorsed by Nato leaders this autumn.

The most significant US concession is the removal of nuclear cruise missiles, along

with other tactical nuclear weapons, from ships and submarines. The US had already agreed on a ceiling for these missiles, although the ceiling allowed room for growth.

The weapons are naval versions of the Tomahawk cruise missiles, scrapped under the 1987 treaty on land-based intermediate Nuclear Forces.

The removal enables the US to maintain conventionally-armed cruise missiles at sea. These were used with spectacular success during the Gulf war and are another area of clear US technical superiority. The US approach bypasses Soviet demands for negotiations on arms control at sea, which Washington has steadfastly resisted.

Both the US and Britain propose to remove anti-submarine nuclear depth bombs, which posed a severe contamination risk if ever used. In addition, improvements in non-nuclear weapons have rendered their value questionable.

The proposal to negotiate the elimination of land-based strategic missiles with multiple warheads is aimed at weapons such as the Soviet SS-18, already due to be sharply cut back under the Start treaty.

Based in silos, these are considered the most "destabilising" of strategic weapons. They would be at the top of the other side's list of targets. As one US official put it: "One or two of our warheads can take out 10 of his." The temptation would therefore be to launch them as soon as possible.

At the same time the US aims to halt the arms race in less vulnerable mobile missiles on land. It is scrapping its plan, the subject of long controversy, to deploy up to 50 of its latest MX Peacekeeper missiles on railway tracks, and is asking the Soviet Union to abandon its counterpart, the SS-24.

Questions remain over airborne tactical weapons

PRESIDENT Bush's arms initiative raises crucial questions about tactical nuclear missiles carried by aircraft that both the US and Britain plan to deploy in Europe, writes David White.

The missiles would replace obsolescent bombs. US air-launched missiles would be the last surviving US tactical nuclear system once army shells and short-range missiles are scrapped and nuclear cruise missiles at sea are removed. Ground-launched nuclear missiles of intermediate range have already been eliminated.

Both the US and Britain are committed to keeping their programmes for a tactical air-to-surface missile (TASM). Mr Bush promised to "preserve an effective air-delivered nuclear capability in Europe", saying it was essential to Nato security.

However, the US has simultaneously cancelled a nuclear version of Boeing's Short-Range Attack Missile, a derivative of which - known as SRAM-T - was its main candidate for the TASM mission. It was also a leading contender for the UK's TASM.

The decision, which followed technical setbacks, came amid growing doubts about the willingness of continental European allies to accept TASM deployments.

Both the US and the UK will now have to study alternative weapons. One UK option is an

improved version of France's air-launched nuclear missile - Air-Sol Longue Portée (ASLAP) - but that would be more expensive than purchasing a US weapon.

Mr Tom King, UK defence secretary, made clear at the weekend that neither the aim of deploying a new missile nor Britain's Trident strategic deterrent programme would change. The only direct impact on British forces would be the long-awaited scrapping of Lance missiles and artillery shells, which are deployed with British and other Nato forces, and the UK's decision to follow the US by removing nuclear depth charges from ships.

However, many analysts question the usefulness of continuing with sub-strategic weapons as a deterrent against a conventional attack, now the fear of Nato being overwhelmed by Soviet conventional forces has receded.

The military argument for TASM is its flexibility. It is seen for instance as a means of deterring Third World countries that might have developed a crude nuclear weapon, without resorting to the threat of nuclear annihilation.

Gen John Galvin, Nato's supreme commander in Europe, said recently the question of TASM "will have to be debated". He added: "If we don't have TASM it will not be because I said we don't need it."

'Incentive' for Soviets

PRESIDENT George Bush's proposals for radical nuclear arms cuts are designed to give the Soviet Union an opportunity to convert its economy away from defence production, US officials said yesterday, writes George Graham in Washington.

Mr Richard Cheney, the US defence secretary, said the US cuts offered the Soviet Union a chance "to free themselves of the expensive drag on their economy which they do not need and cannot afford".

Since the failure of the Soviet coup in August, US officials have warned against precipitate action, noting the con-

tinuation of massive Soviet spending on military equipment.

Mr Cheney cautioned a month ago that the collapse of the Soviet economy could create famine, labour strife and massive refugee flows.

He said then that this instability made it imprudent to cut the US defence budget too much.

This weekend, however, he said that he and General Colin Powell, chairman of the US joint chiefs of staff, believed that this same economic collapse would oblige the Soviet Union to slash its own defence spending.

President Bush's nuclear proposals

- 1 Ground-launched theatre nuclear weapons
1,300 artillery shells destroyed
850 Lance missiles destroyed
(approx. 1,000 artillery rounds and 700 Lances are deployed outside US)
- 2 Sea-based tactical nuclear weapons
Approx. 2,150 weapons, including 100 Tomahawk missiles, Mark 57s and Mark 61s withdrawn from vessels and stored.
About half will subsequently be dismantled.
Nuclear depth strike bomb eliminated.
- 3 Strategic nuclear weapons
- Strategic nuclear B1 and B52 bombers stand down from alert, weapons returned to storage
- 450 Minuteman II missiles (due for elimination under Start treaty) stand down from alert. Rail-based launch system for Peacekeeper ICBM abandoned.
Mobile version of Midgetman small ICBM abandoned.
SRAM 2 bomber-delivered short range attack missile (and SRAM-T tactical version) abandoned.
Poseidon C3, Trident I C4 and of Trident II D5 unaffected.

Gen Colin Powell, chairman of the US Joint Chiefs of Staff, with the main points of President Bush's nuclear arms proposals

Paris avoids commitment to trim arsenal

FRENCH President François Mitterrand has warmly welcomed the latest US nuclear disarmament proposals, and has announced that the leaders of the four powers with nuclear weapons in Europe - US, France, Britain and the Soviet Union - will soon hold a summit, Ian Davidson reports from Paris.

But the French government has made clear that it does not yet consider itself

under an obligation to offer any new reduction in its nuclear arsenal, whether unilateral or multilateral, and that the only purpose of the four-power summit would be to discuss the control and security of nuclear weapons inside the disintegrating Soviet Union.

When Mr Mitterrand first put forward his proposal for a four-power nuclear summit last month, it was greeted coolly by

the US, and criticised by some in Germany as yet another attempt by France to seek a privileged role, by virtue of its nuclear status.

Mr Mitterrand greeted the plan put forward by US President George Bush as "a real turning point", and said France would be ready to join the nuclear disarmament process the day the two superpowers had substantially reduced their arsenals.

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INTERNATIONAL NEWS

Creating stable institutions may be impossible

Rioting leaves Iliescu severely weakened

By Judy Dempsey in Bucharest

MR Ion Iliescu, the Romanian president, yesterday continued negotiations with the country's main political parties in an attempt to form a broad-based coalition government.

But the credibility of the president - and of most of the opposition parties - is now so weak, following last week's riots by miners, that it may be impossible to create stable democratic institutions in the near future. In addition, the prospects for introducing economic reforms appear remote.

Mr Iliescu's position has been greatly weakened on two fronts. First, by caving into the miners' demands with promises of higher wages, a freeze on prices and an end to austerity measures, he has come down on the side of the conservatives in the ruling National Salvation Front.

Second, because he has gone back on his promise to visit the Jiu Valley mines today, miners' leaders are likely in the near future again to demand his resignation.

Mr Iliescu is now beholden to the miners, and to those hardline political forces which led them to Bucharest, one Romanian sociologist said yesterday.

Because he is in debt to the miners - although they failed this time to topple him - Mr Iliescu is now desperately seeking a coalition government to bolster his credibility.

The problem is that the opposition itself is too weak and too discredited to press ahead with any significant reforms or maintain stability.

This was clear throughout the weekend when, during the

congress of the opposition National Peasants party (NPP) which won 4 per cent of the vote and 12 seats in last year's elections, delegates invited the miners to the congress and actually applauded them.

"I do not understand this party," said Mr Ion Ratiu, the president of the NPP's parliamentary group, who last year returned to Romania to run for the presidency, after many years in exile. "Do they not see that it was those very miners who, in June 1990, came to Bucharest and ransacked the opposition's political headquarters? This is madness," he said in an interview yesterday.

Mr Ratiu added that his party would not join any coalition government unless that government consisted only of opposition parties and technocrats.

The National Liberal party (NLP) and the Civic Alliance - an umbrella movement consisting of liberal intellectuals and student leaders - also refused to distance themselves from the miners. One NLP member, who saw miners ransack his offices last year, yesterday said: "We wanted to see the end of the Petre Roman government and the fall of Iliescu. So did the miners. Our interests converged."

Two parties to emerge relatively unscathed after the riots are the Democratic Party of Hungarians in Romania, the second-largest party, and the youth wing of the NLP, led by Mr Dinu Patriciu.

But when Mr Patriciu criticised the miners on the grounds that their violence was undermining the country's fragile democracy, he was immediately accused by the media of being in the pay of the Securitate, the former secret police.

"There are no winners after last week's fresh violence," said a western diplomat. "But the greatest losers are the technocrats, who now believe that no government will have the authority to introduce reforms."

It is hard to see how Mr Iliescu can create a government able to continue with the reforms and at the same time ensure some kind of stability.

Mr Teodor Stolojan, who under Mr Roman was in charge of privatisation, was yesterday asked to form a new government. "Iliescu thinks this will reassure the west," said Mr Alin Teodorescu, a member of the small liberal/intellectual Group of Social Dialogue.

But if Mr Stolojan - who earlier this year criticised Mr Roman for going too slowly with the reforms - attempts to move Romania forward, his own political future may well be short-lived.

Milosevic link with Yugoslav army revealed



Milosevic working with Serb leaders in Bosnia

MR Slobodan Milosevic, president of Serbia, has played a key role in co-ordinating federal military operations in Bosnia Hercegovina and Croatia, Vreme, an independent Belgrade weekly newspaper, reported yesterday, writes Laura Silber in Belgrade.

The revelation came as six people were reported killed and more than 80 injured after weekend clashes. The International Red Cross was forced to pull out of Croatia after one of its teams was shot at.

Croatian radio said the Croat-controlled town of Nova Gradiska was hit by mortar shells and rockets yesterday.

Bosnian radio reported that Croat forces fought with army units around the barracks in Bjelovar, northern Croatia.

A transcript of a conversation obtained by Vreme shows

Mr Milosevic is working with Serb leaders in Bosnia, in a plan codenamed Ram, to carve out a Greater Serbia with the aid of the army.

General Nikola Uzelac, commander of the Banja Luka Corps, yesterday ordered the general mobilisation of the entire fighting population in north-western Bosnia, despite warnings from the Bosnian government that mobilisation would ignite a civil war among the republic's Slav Moslems, Serbs and Croats.

Yesterday's mobilisation fits in neatly with the transcript of the conversation between Mr Milosevic and Mr Radovan Karadzic, head of Bosnia's Serbs. Mr Milosevic guaranteed that Mr Karadzic could rely on Montenegro, a close ally of Serbia, for armed support.

Mr Milosevic is quoted as

saying: "Get in touch with Uzelac. He'll tell you everything, but if you have problems get in touch with me. Don't worry, you'll have everything, we are the strongest. While we have the army, they can do nothing to us."

Mr Karadzic replied: "That is fine. What about the bombardments?"

"Today is not a good day for aviation, because there is a session of the European Community," said Mr Milosevic, who has repeatedly denied Serbia is involved in fighting in Croatia. But the transcript shows that Serbia is involved in supporting the uprising by Serb insurgents in Croatia.

The publication follows an announcement by Mr Ante Markovic, Yugoslav prime minister, two weeks ago who said he had a tape recording of

talks by the two leaders. It appears that Mr Markovic himself may have leaked the transcript to Vreme.

The army has been hard hit by the Croatian blockade of federal barracks, mass desertions by Serb reservists and heavy casualties. Croatian radio said yesterday the army was detonating ammunition in Split, the second-biggest Croatian port, apparently in preparation for withdrawing from the barracks.

Last week the army withdrew from Vinkovci, a key eastern Croatian town, and several barracks in Croatia's Adriatic ports.

The army's movements suggest it is working to conquer a contiguous tract of land which includes parts of Croatia and Bosnia, to form a Greater Serbia with Montenegro.

Slovak referendum urged

TENS of thousands of Czechoslovaks, anxious not to see their country split, signed a petition at the weekend demanding a referendum to decide the issue of Slovak secession, Reuters reports from Prague.

Organisers said 50,000 people a day signed the petition in Prague's Wenceslas Square from Friday to yesterday, and claimed to have gathered more than 300,000 signatures throughout the Czech republic.

the larger of Czechoslovakia's two constituent parts.

Slovaks, in the eastern third of the country, have been demanding greater autonomy or independence since the end of communist rule in 1989.

President Vaclav Havel last week threatened to resign unless the wrangling over Czechoslovakia's future was decided soon and called for a referendum this year, a demand rejected by many leading Slovak politicians.

Plea on Ukrainian war criminals

A LEADING Jewish Nazi-hunter said yesterday he had asked the Ukrainian government to show greater caution in rehabilitating alleged war criminals. Reuters reports from Moscow.

Mr Shimon Samuels, European director of the Simon Wiesenthal Centre, was speaking on the 50th anniversary of the start of the Babi Yar massacre in which 200,000 Jews, Poles, Ukrainians and others were killed just outside Kiev

during the Nazi occupation.

He was told in Kiev that 46,000 Ukrainians, condemned by the former communist authorities, had been rehabilitated since an amnesty was approved in April.

Four thousand applications had been rejected on grounds of collaboration with invading Nazi forces, espionage or treason.

Mr Samuels, who met Ukrainian deputy prime minister Sergei Komissarenko and other

officials at the weekend, said he was unhappy at the speed of the process.

He was also alarmed at the appearance of memorials, especially in western Ukraine, hailing members of the Galicia Division and other Ukrainians who sided with the Germans against Moscow as independence heroes.

"They have legislated a rehabilitation law," he said. "Why can't they get these statues down equally quickly?"

Soft drinks venture wins approval from Brussels

By Andrew Hill in Brussels

THE European Commission, by approving a German soft drinks joint venture, has indicated that joint ventures which pledge to retain a measure of independence from their parents will be regarded favourably by the Brussels merger control authorities.

Brussels waved through the formation of a joint venture between Apollinaris, a German mineral water group, and the German subsidiary of Cadbury Schweppes, the UK food and soft drink company, even though at first glance it restricted competition between the parent companies them-

selves and between the parent companies and the new group, Apollinaris & Schweppes.

The Commission decided the joint venture - which will help improve Apollinaris' international distribution and Schweppes' position in Austria and Germany - was anti-competitive.

But both companies gave an undertaking that the joint venture would not discriminate when treating inquiries from EC customers. In other words, customers are still likely to have a choice of products from both parents, and from the joint venture.

Dutch stand firm on works councils

By David Goodhart, recently in Maastricht

THE Dutch government is determined to force a decision before the end of this year on the European Commission's directive on mandatory European works councils for providing information to employees. The UK government is alone in its fight against this.

Mr Bert de Vries, the Dutch employment minister, told a conference on works councils in Maastricht, organised by the European TUC, that the directive - which applies to larger than one EC country - would probably go before the Council of Ministers on December 3, just before the Maastricht summit on political union.

Mr Norman Willis, head of the British TUC and ETU president, also told the conference that, if the British government abused its veto on this "vital aspect of social Europe", it would increase pressure for more EC decisions to be subject to majority voting. An extension of majority voting will be discussed at the Maastricht summit and is opposed by the British, especially in social matters.

Mr Willis also strongly com-

demned a compromise proposal on the works councils directive floated at the conference by Mrs Martine Aubry, French labour minister. She proposed the directive be stripped down to rights to information and that the establishment of consultative councils be dropped.

This, however, would probably fail to satisfy the objections of the British government and UNICE, the European employers body, which is this week expected to submit its own proposals for non-mandatory consultative procedures.

The French compromise would also cause the German government to vote against the directive, according to Mr Horst Günther, a state secretary in the Bonn Labour Ministry, on the grounds that it would have been watered down too far.

The final draft of the directive, which was passed by the Commission earlier this month, includes a few minor changes which will make it even less palatable to the British and employers.

Previously, companies affected by the requirement to consult through works councils were those with more than 1,000 employees operating in at least two EC countries and with at least 100 employees in one establishment in the "foreign" country. In order to include service companies, such as hotels, the requirement that the 100 employees be gathered in only one establishment has been dropped.

The nature of the information that employers will have to provide has also been made more specific, in particular relating to mergers and closures. Another late amendment hints that the 1,000-employee threshold will be reduced when the procedure is reviewed after five years.

The directive has been inspired by the growth in EC corporate mergers in the past decade and the belief that workers, especially outside the mother country, need similarly international bodies to retain a corporate identity. The directive applies also to non-EC companies operating within the EC.



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INTERNATIONAL NEWS

Flemish party quits Belgian coalition

By Andrew Hill in Brussels

THE government of Mr Wilfried Martens, Belgium's long-serving prime minister, yesterday survived a crisis precipitated by tension between the country's French- and Flemish-speaking communities. But it lost one of its five coalition partners.

The moderate Flemish nationalist grouping, the Volksunie, withdrew from the coalition and its two ministers resigned after failing to agree on a compromise over arms sales to Saudi Arabia.

The Volksunie's withdrawal is likely to weaken the government ahead of the country's next general election, due in January. It leaves the Christian Democrat and socialist parties - two from each language group - in power, but deprives the government of the two-thirds parliamentary majority necessary to push through Mr Martens' programme of constitutional reform and devolution to the regional authorities.

The Volksunie and the Flemish Socialist party had wanted to block exports of arms to Gulf states, including Saudi Arabia and the United Arab Emirates. The move was based on pacifist principles but would have struck at the heart of the struggling Belgian arms industry, most of which is in French-speaking Wallonia.

In return, Francophone ministers had threatened to hold up contracts from the state telecommunications company which would have benefited mostly Flemish suppliers.

After an emergency cabinet meeting yesterday, only the Volksunie ministers dissented from a compromise which will temporarily have allowed Flemish and French-speaking ministers to grant arms export licences for companies in their own regions.

Cuba curbs assailed

Mr Manuel Fraga, Spain's leading right-wing politician, said over weekend that US economic sanctions against communist Cuba were unjustified and might even contravene international trade regulations, Reuters reports.



Former French President Valéry Giscard d'Estaing plays an accordion with protesters from the provinces yesterday

FARMERS INVADE PARIS IN PRICE PROTEST

TENS OF thousands of French farmers invaded Paris yesterday in protest against falling prices and further steep price reductions scheduled in planned reforms of the European Community's Common Agricultural Policy, Ian Davidson writes.

Unmolested by the farmers' growing anger, the government has multiplied assurances of moral and financial support. On several occasions, government ministers, and even President François Mitterrand himself, have been harassed by local farm demonstrations.

At the end of October the government intends to put forward alternative proposals in Brussels to the plan tabled by the European Commission, which would cut market prices by 30 per cent.

The farmers' protest march in the capital, which follows on a wave of more or less violent local demonstrations, some directed against trucks carrying imported meat, has been seized on by leaders of almost all the opposition parties as a vehicle to launch their own campaign against the government.

Former President Valéry Giscard d'Estaing, leader of the centre-right UDF group, Mr Jacques Chirac, leader of the right-wing Gaullist RPR party, Mr Jean-

Marie Le Pen, leader of the extreme right-wing National Front, and Mr André Lajoinie of the Communist party, all took part in the march, from the Place de la Nation to the Place de la Bastille and back. The march was a first for Mr Giscard d'Estaing.

In a joint communiqué on the eve of the demonstration, the UDF and the Gaullists proclaimed their support for the farmers, and demanded that the French government adopt a "very firm position in the negotiations in GATT [the Uruguay Round] and on the reform of the Common Agricultural Policy".

The latest forecast is for a 1,145,000bn (565.4bn) deficit this year, against a 1,132,000bn target. The deficit now accounts for more than 10.5 per cent of gross domestic product.

On paper, today's budget proposals should allow the government to claim that the primary deficit - the deficit net of interest payments - no longer exists, a substantial achievement.

But that will only come about thanks to one of a regular sequence of tax amnesties, this year promising to be bigger than ever. The government is also relying on advance payment of some property taxes due next year. These two measures may help reduce this year's deficit, but it means the 1992 shortfall, deprived of expected tax receipts, will be a massive 1,150,000bn unless similar action is taken again.

The EC has urged the government to purge public spending, crack down on tax evasion, reduce subsidies and embark on a substantial privatisation programme. However, elections due within eight months mean that none of these courses is likely to be pursued vigorously.

government, if it turns out that Department of Agriculture officials failed to take action when the complaints were made. A further claim alleges allegation involves whether political favouritism was given to the Goodman group in the allocation of export credit insurance in 1987, for beef exports to Iraq.

The Goodman group ran into financial difficulties in 1990; it currently owes some £500m (\$458m) to a group of 33 banks.

Goodman, has denied the accusations.

The inquiry is being chaired by Mr Justice Liam Hamilton, president of the high court, and was set up in June. The tribunal has received scores of written submissions from politicians, government officials, veterinary inspectors and meat workers in the processing plants.

The inquiry could prove damaging for Mr Haughey's

Italians put off the day of budget reckoning

Haig Simonian reports on a compromise package

ITALY'S 1992 budget, due today, will indicate one of the most serious economic challenges in the country's post-war history.

Last week's annual survey by the Organisation for Economic Co-operation and Development warned that a combination of high inflation, high unemployment and a massive budget deficit was putting Italy increasingly out of line with its main competitors.

Predictions of disaster for the Italian economy are regular: both immediately after 1945 and during the inflationary, terrorism-ridden 1970s, recovery seemed virtually inconceivable. Now, the government truly appears to have its back to the wall, as its room for manoeuvre is more circumscribed. Italy needs large structural economic reforms but lacks the political will.

Financing Italy's vertiginous budget deficit is the crux of the debate - one which came close to bringing down the Christian Democrat-led coalition of Prime Minister Giulio Andreotti.

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Agreement among the four partners of the Christian Democrat-led coalition appeared to be a delicate balance between modest cuts on public spending and new revenue raising measures.

Robert Graham writes from Rome. The main aim has been to hold the public sector deficit down to 1,137,000bn (538bn) by finding 155,000bn.

The compromise has avoided any serious attempt to introduce structural reforms to tackle Italy's huge public sector deficit. But this has been the price for maintaining the seventh government of Mr Giulio Andreotti and avoid early elections.

The main cuts are expected to come from pruning national health service expenditure and increased prescription charges. Mr Andreotti has been unwilling to force the controversial issue of raising the pensionable age.

Public sector wages, which have been rising at double those of the private sector in the past two years, are expected to be held down to 4.5 per cent next year.

Three main deficit-cutting measures are still pending: Pension reform. Talks on cutting the spiralling cost of pensions have been mired in party-political bickering, although a compromise may now have been reached to raise the pensionable age to 62 for men and 60 for women (from 60 and 55 respectively).

Wage talks. Discussions between the government, unions and employers on reducing wage costs and reforming the scale mobile pay system, which partly links pay to inflation, have just restarted after the summer break, but the positions look as far apart as ever.

Privatisation. Only two big sell-offs are in the works. But much of the proceeds from both the sale of Credito, the long-term credit institution, and the Istituto Mobiliare Italiano financial services group are likely to be used to shore up other state industries. Part

of the receipts from selling IRI are already earmarked for recapitalising Banca Nazionale del Lavoro, the Treasury-owned bank.

The need to cut the deficit has intensified now that the Italian economy is moving towards recession. But the government's hands are tied because it must keep interest rates high in relation to its main rivals - Germany and France - to attract savers to invest in its bonds. Yet high interest rates have exacerbated the current downturn. Growth fell to 3 per cent last year, the lowest since 1983. In the first quarter of this year, the 0.7 per cent increase in GDP over the same period last year was the lowest in a decade.

A string of poor interim company results from the corporate sector last week shows recession is beginning to bite. The car maker Fiat announced sharply lower profits and 50,000 temporary lay-offs. Total unemployment, which at just under 11 per cent is about twice the OECD average, looks set to climb.

Inflation remains stubbornly lodged at 6 to 7 per cent - well ahead of the government's upwardly revised 5.5 per cent target for the end of this year and its 4.5 per cent goal for the end of 1989. Unit labour costs are increasing at about 11 per cent a year, raising industry's concern about declining competitiveness.

Before the creation of the European Monetary System in 1979, the way to address declining competitiveness would have been to let the lira slide. By regular devaluations, Italy kept pace with the rest of Europe, despite relatively high inflation and wage costs. But the EMS imposed new disciplines. Since January 1987, the crucial lira-D-Mark exchange rate has been stable.

A surprise upturn in growth may yet postpone the crunch. The OECD has forecast an optimistic 2.5 to 3 per cent growth rate next year, though many economists think Italy will do well to achieve 2 per cent. But only an adequate political response will help Italy overcome its profound structural economic imbalances. So far, there is little sign of it.

Tribunal starts Irish beef industry hearings

By Tim Coone in Dublin

PUBLIC hearings in Ireland's Tribunal of Inquiry into the Beef Industry are due to start today, raising the possibility of further embarrassing revelations for the already harassed government of Mr Charles Haughey.

The tribunal is investigating allegations of fraud, malpractice and political favouritism in the beef processing industry. The allegations were originally made in the Irish parliament

earlier this year and by a British independent television programme broadcast last May.

They focus on the activities of Goodman International, the privately-run beef processing group which is Europe's biggest meat processor. Goodman has been accused of falsifying stamps, weights and classifications, interfering with documentation and abusing export credit insurance. The company, headed by Mr Larry

Goodman, has denied the accusations.

The inquiry is being chaired by Mr Justice Liam Hamilton, president of the high court, and was set up in June. The tribunal has received scores of written submissions from politicians, government officials, veterinary inspectors and meat workers in the processing plants.

The inquiry could prove damaging for Mr Haughey's

government, if it turns out that Department of Agriculture officials failed to take action when the complaints were made. A further claim alleges allegation involves whether political favouritism was given to the Goodman group in the allocation of export credit insurance in 1987, for beef exports to Iraq.

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UK NEWS - LABOUR AT BRIGHTON

TRANSPORT

Plan for private funding of Channel link

LABOUR is to extend its commitment to free-market economics significantly by drawing up plans for the private funding of the Channel tunnel rail link - a proposal the Conservatives have abandoned, at least temporarily.

Proposals by Mr John Prescott, shadow transport secretary, for changing Treasury rules to allow British Rail to borrow privately against its own assets have been agreed in principle with Mr John Smith, shadow chancellor of the exchequer.

City consultants and potential investors are advising the party on how a financial package for the rail link might work.

The move, which marks a further ideological shift by Labour away from strict reli-

ance on the state sector for infrastructure investment, might encourage private-sector involvement with other government-backed projects if Labour won the general election.

The modified Treasury rules would mean that British Rail's borrowing from private sources for capital investment no longer counted among revenues when the Public Sector Borrowing Requirement (PSBR) was calculated.

Mr John Prescott, Labour's transport spokesman, will call for private-sector involvement in the rail link between London and the Channel tunnel entrance when he addresses Labour's conference on Wednesday.

Among the schemes he is considering are:

- Sale and leaseback arrangements with banks whereby, for example, rolling stock or land would be sold to banks and leased back.
- Borrowing from banks using the assets along the line as security.
- Labour cites, as an example, schemes operated by SNCF, the French state-owned railway company, which raises most of its borrowings on international and domestic bond markets.

The party also believes the Dartford river crossing project has shown that the private sector can be attracted by infrastructure projects. There, private contractors built the bridge and will collect tolls to repay its cost before returning the crossing to the state sector.

Mr Prescott sees the plans as a way of getting around the tough strictures of Mr Smith against increased public spending or borrowing under a Labour government.

In an interview with the Financial Times last week, the shadow chancellor said he was "sympathetic" to proposals for allowing nationalised industries to borrow privately. "It is patently foolish that the Treasury in this country doesn't seem to be able to make the distinction between capital and revenue. I'd like to see that distinction better recognised."

The government will announce early next month its preferred route for the Channel tunnel rail link, but the question of funding the estimated £3bn cost remains unresolved.

Last year Mr Cecil Parkinson, then transport secretary,

rejected a financial package drawn up by European Rail Link, a consortium comprising BR, Trafalgar House and BICC. At the time, ministers believed alternative private backers were unlikely to be found.

British Rail's investment is at present financed from internally generated revenues and strictly rationed government borrowings. The result has been cash starvation, with several big investment projects put on hold.

Under Labour's proposals, assets along the Channel tunnel route could be "ring-fenced" to form a separate company from BR. The party believes the flow of traffic through the tunnel will provide near-guaranteed income.

Ralph Atkins

PUBLIC OPINION

The need to make a positive impression

THE VOTERS have not made up their minds. The raft of opinion polls accompanying the start of the Labour party conference in Brighton yesterday conveyed a simple message. The timing of the election is clear - 1992 is now the remotest of possibilities - but the outcome is hazy.

When averaged out, the recent polls put Labour and the Tories neck and neck, with both struggling to command the support of 40 per cent of the electorate. The Liberal Democrats are hovering around 15 per cent.

Behind public bravado, senior figures on all sides are happy to admit that there is everything to play for.

For Mr Neil Kinnock, the best news is that he and his party survived the onslaught launched by the Conservatives during the past few weeks. Labour kept its nerve when it moved from 4 or 5 points behind to almost level with the Tories.

Mr Kinnock is far less popular with the voters than Mr John Major and his policy U-turns will remain a key target for the Conservatives. Yet even in private his colleagues have largely resisted the temptation to suggest that they would be better without him.

The surveys meanwhile show that Labour has greatly extended its lead since 1987 on the welfare issues of health, education, unemployment and pensions. No matter Mr Major's personal commitment to the NHS, Labour has successfully rammed home the message that the establishment of hospital trusts and family doctor budgets is the precursor to privatisation.

Importantly for Mr Kinnock, as the welfare issues have moved towards the top of the voters' agenda, his party's traditional weak spots - the trades unions and defence in particular - have slipped down the list of concerns.

Meanwhile, Mr John Smith, the shadow chancellor, has done much to reduce, but not eliminate, the most important negative: the question mark over the competence to run the economy.

The same surveys that show more widespread acceptance of Labour as an alternative also reveal a marked lack of positive enthusiasm. Labour is no longer dangerous but nor is it exciting.

After three years in which its conferences have concentrated on promising not to do things, this is the week when Labour will spell out what it will do. As Mr Roy Hattersley, the deputy leader, pointed out yesterday, the party will begin to campaign for its beliefs.

At the time the conference was promised Labour's manifesto for its first year or so in office. By Friday's pre-election rally, we are told, the country will have a good idea of prime minister Kinnock's first Queen's Speech.

Priorities - in education and training, health, manufacturing investment and research and development - will be detailed in the context of making Britain the "best in Europe".

However, as they look at the polls this weekend, Labour leaders are conscious that this in itself will not be enough. They can make Labour a more attractive, less defensive alternative. But for Mr Kinnock to win, Mr Major will have to trip on some of the rocks - Europe, the poll tax, unemployment - strewn in his path between now and next summer.

Philip Stephens

Today's conference agenda

■ Morning debates will focus on British manufacturing industry, employment and science and technology in a session introduced by Mr John Smith, the shadow chancellor. Nuclear power will also be debated, including proposals that Labour commit itself to phasing out nuclear power within 15 years.

■ In the afternoon, Mr Jack Straw, education spokesman, introduces a wide-ranging debate that includes proposals for a medium-term social strategy for the progressive elimination of poverty. Employee rights will also be covered. Conference will be urged to commit the party both to providing increased access to post-16 education and to granting nursery schooling to all three or four-year-olds whose parents desire it.

■ YESTERDAY: Conference overwhelmingly rejected a motion condemning the National Executive Committee's decision to suspend and bar Mr Dave Nellist MP and Mr Terry Fields MP, and demanding that their suspensions be immediately lifted.

EDUCATION

Career guidance pledge by Blair

A RIGHT TO independent career guidance will be the "first call" on the money raised by Labour's plans for a training levy, Mr Tony Blair, the shadow employment secretary, will tell the conference today.

Emphasis on skills will be at the heart of Mr Blair's speech, which will place Labour's industrial and training policies squarely in the context both of economic competence and of looking forward to the 1990s.

He is expected to say Labour's aim is for everyone to be entitled to a personal development plan. At present, apart from guidance for young people, careers advice may be available from employers but is beyond the capacity of some small companies.

The party will soon start negotiations with the TUC, the career service and local authorities about how they could deliver a commitment to providing independent guidance.

In its present form, Labour's training levy would be linked to the government's Investors in People initiative, with the additional criterion that employers spend at least 0.5

per cent of their payroll on training - any underspending would be paid as a contribution to the local or national training effort. Very small businesses would be exempt.

People seen as likely to find independent career advice particularly valuable include white-collar workers who have lost jobs in the present recession, and those who recognise that they need retraining.

The overall message of Mr Blair's speech will be that the key test of a party's economic credibility is its ability to make the best use of the potential workforce. His attack on the government's record on unemployment is likely to focus particularly on the issues of the long-term unemployed, whose numbers are growing.

He will also develop his recent theme of looking forward to a partnership in industrial relations for the 1990s as part of a broader cultural change in Britain, contrasting it with the Tory approach, portrayed as a return to the battles of the 1970s.

Alison Smith

DISARMAMENT

NEC vote sets up clash over defence

MR NEIL KINNOCK refused yesterday to give ground to left-wingers on Labour's cautious disarmament strategy, leaving the leadership braced for debate in the defence debate on Thursday.

His tough stand comes in spite of US President George Bush's proposals for deep cuts in the country's nuclear arsenal and renewed pressure from the party's grassroots for Labour to reduce arms spending to the average of other west European countries.

At its pre-conference meeting, the National Executive Committee (NEC) voted by 14 to 8 to call for the shelving of a motion insisting on the commitment, in spite of the high likelihood of party meeting once again to defy the leadership and insist on the cuts.

Last year, six shadow cabinet members on the NEC also rebelled against Mr Kinnock's stand.

This time, however, there was an upset, with the shadow cabinet fully supporting the leader, with a single abstention from Mr John Prescott, the transport spokesman.

Delegates were predicting last night that the NEC will be defeated when the question is put to conference. Instead, there will be a fresh demand for the UK's £23bn arms budget to be cut from 4 per cent of gross domestic product to 3.2 per cent, an estimated £4bn reduction.

Leftwing critics of Mr Kinnock - like Mr Dennis Skinner, the Bolsover MP who sits on the NEC - said yesterday that Labour now appeared less committed to disarmament than the US. Mr Mikhail Gorbachev, the Soviet president.

There is also dissatisfaction on the left that an NEC policy statement on international affairs, drafted this week, fails to offer to halt the UK's Trident nuclear weapons programme or reduce the country's nuclear capacity.

The paper, to be presented by Mr Gerald Kaufman, shadow foreign secretary, says only that Britain should "take immediate steps" to participate in the forthcoming negotiations on nuclear arms cuts.

Justifying the leadership's caution last night, Mr Martin O'Neill, the defence spokesman, said it was impossible for Labour to establish a definitive position until it was in government and "the facts are in our possession".

Labour remained ready to examine reducing the missile capacity or the number of warheads carried in its nuclear submarine fleet, but would not scrap the Trident programme outright, he said.

The NEC also approved a resolution calling on the party "to seize every opportunity to publicise and discuss Labour's new openness to electoral reform".

Ivo Dawney



Yawning gulf: Terry Fields, speaking at a rally yesterday, did not get conference support

Little support for Nellist and Fields

THE ANGER of those supporting Mr Dave Nellist and Mr Terry Fields was loud and heated yesterday. Unfortunately for the suspended MPs, that anger did not translate into numbers.

At a meeting of Labour's national executive last week, Mr Fields and Mr Nellist were suspended from holding party office because of links with Militant. They were also barred from the conference hall.

Action was taken against the MPs after the decision by Militant to field its own candidate against the official Labour candidate in the Liverpool Walton by-election in July. A rally yesterday in their support at the "traditional rallying point for the Labour movement in Brighton" (The Level - a park that houses an enormous funfair at other times of the year) did not attract a very reassuring size of crowd.

More a puny gathering than

a mass demonstration, the supporters were mostly selling copies of Militant or Socialist Worker and almost made up for their lack of numbers with the size of their banners.

Prominent were references to the so-called witch hunt of Militant supporters and the recent suspensions of councillors. "We're from Coventry not Salem," "Defend the Lambeth 15," they screamed.

Mr Nellist said: "Our suspension from holding party office together with banning us from party conference is a shameful capitulation to the incessant demands of Chris Patten and the Tory press."

"It's obvious that the old letter from Tory Head Office carries more weight at Walworth Road than the hundreds of resolutions passed in our support throughout the Labour movement nationally," he railed.

His message to the Labour leadership was to adopt a dis-

tingent socialist voice if it wanted to win the election. "We need to try to persuade them to abandon this disastrous course," he said.

Earlier Mr Fields and a clutch of expelled Liverpool councillors were discovering that life without the obligatory red conference pass was bound to prove quieter than the buzz of the conference floor.

On the wide sea front, Mr Fields lobbied union delegates as they made their way into the Ship Hotel.

"The reception has been good," Mr Fields said. "But general secretaries, the powerful people, may be exerting influence and telling delegates not to rock the boat."

Mr Fields did not want to rock the boat. "It is a simple request we are making: just allow us into the conference."

With him on the pavement was Ms Cathy Wilson, an expelled Liverpool councillor.

This was to have been her 19th conference, but shifts in the party line had finally got the better of her.

She exclaimed: "I've been angry ever since I joined the Labour party. After being elected as a councillor in Liverpool I voted against a rent increase and was expelled."

As delegates queued to enter the Brighton Centre ready for the opening of the conference, Mr Nellist and Mr Fields handed out leaflets urging them to support emergency resolutions in their favour.

Their followers, now dwindled to about 100, barracked the respectable face of Labour.

Mr David Peel from the TGWU was unimpressed. "The situation does not concern the poll tax, it concerns MPs standing against people who have been nominated by the constituencies."

Emma Tucker

'Women only' short lists are rejected

DELEGATES REJECTED an attempt to require constituencies formerly represented by a Labour MP to select by-election candidates from a "women only" shortlist. Ivor Owen writes.

Ms Valerie Farnell, who refused to remit the proposal to the National Executive and insisted on a vote, argued that unless it was approved, the party's agreed objective of having women forming at least half the parliamentary Labour party by the end of the decade was unlikely to be attained.

She deplored the fact that only two women MPs had been chosen as candidates to replace 18 men Labour MPs who

would not be contesting the coming general election.

Ms Michelle Thew, from the Hampstead and Highgate constituency, where Ms Glenda Jackson, the actress has already been selected as the Labour candidate, complained about some of the unfair comments being made.

The charge was being made that if Labour failed to win the seat it would be because a woman candidate had been imposed on the constituency.

Opposing the resolution, Ms Sandra Wilson from Cambridge said she wanted to be chosen as a parliamentary candidate

because she had proved "I am as good as anyone else" not just because I am the only woman.

• The Conservatives will go "full throttle ahead" with their hospital opt-out programme if elected for a fourth term, shadow health secretary Mr Robin Cook warned yesterday.

He published for the first time a list of 150 hospitals and other service units in the government's third wave of opt-outs in April 1993, and pledged that a Labour government would halt the process and restore all other opted-out hospitals to an integrated health service.

Philip Stephens

Sawyer's 'quiet revolution'

THE MASTER of ceremonies for Labour's week at Brighton - all but unknown to the wider public - is arguably, after Mr Neil Kinnock, the man who has done most to force through the party's quiet revolution.

As party chairman, Mr Tom Sawyer will need to marshal his dry wit and north-eastern charm to chivvy one of the world's most loquacious conferences through its dauntingly ambitious agenda.

But the bearded, self-effacing, highly serious figure in the conference's driving seat this year is as reassuring for the leadership as he is appropriate.

Now in his late 40s, Mr Sawyer has indeed plotted Labour's course back to electability with his reputation for integrity firmly intact. From his place on the picket lines of the 1978-79 "winter of discontent" as a national official of the public employees union, Nupe, he has now ended up as chairman of the powerful home policy committee - the political engine room of the five-year policy review.

Like Mr Kinnock himself, Mr Sawyer makes no apologies for his journey from the hard left

to a more pragmatic interpretation of democratic socialism.

"All my life has been a learning process," he said last week, "and that is how it should be for political parties, too - to respond to a changing world."

The young Tom Sawyer - his true first name is lost in his past - grew up in the austere poverty of post-war Darlington, leaving school at 15 to migrate to the Midlands to look for work. After a shopfloor apprenticeship with the engineering union, he joined Nupe as a full-time officer, following his friend and the union's present general secretary, Mr Rodney Bickerstaffe down to London to become his deputy.

By the time Nupe persuaded the other leading unions to back them for a seat on Labour's national executive, both men had moved firmly into the "soft left" camp.

It was only after the party's 1987 election defeat that Mr Sawyer became fully conversant with the need for a root-and-branch policy review.

Today, he claims that Labour's late conversion to the kind of social democratic politics long prevailing on the Continent must be blamed on a lack of vision by the party's

leaders during "the grey years" of Callaghanism.

Once a political bag-carrier for Mr Tony Benn, Mr Sawyer now describes the hard left prescriptions as "a blind alley... little Englander fundamentalism", incapable of building mass appeal and out of touch with the real world.

"A third road has to be opened up - a democratic socialism - that doesn't argue about the need for markets, but one that opens opportunities to people."

For all his trade unionist roots, Mr Sawyer believes that Labour must push on with its own internal democratisation, eliminating the block vote at conference and extending the principle of one member, one vote to its logical conclusions.

Although publicly upbeat about the coming election, when pressed, Mr Sawyer will concede that Labour may still have more to learn.

Yet it seems that nothing will shake his conviction that the political re-education process the policy review has undertaken has at least secured the party's future for the generations to come.

Ivo Dawney

Party stage managers fight their corner

Ivor Owen examines the debate surrounding planned reforms of conference procedure

WITH A general election looming, the comrades assembled at Brighton will not give any encouragement to what hard-line Communists in the Soviet Union used to describe as the "anti-party group".

There may still be some outbursts from leftwing delegates who believe that in trying to make the party electable Mr Neil Kinnock has lopped off its radical roots. Not is there much likelihood of the conference's being mistaken for the Conservatives' annual gathering of deferential "representatives".

But procedures introduced during the Kinnock era will ensure that none of his senior colleagues will endure the humiliation experienced by Mr Denis Healey in 1976.

Then, Labour's embattled chancellor was treated little better than a rank-and-file delegate when allowed just three minutes to deal with the crisis that resulted in the International Monetary Fund taking temporary charge of the British economy.

That does not happen in the

new model Labour party. The policy review instituted by Mr Kinnock, which led to the discarding of the commitment to unilateral nuclear disarmament and a belated recognition that the market economy has virtues worthy of preservation, also brought procedural innovations for the conference.

The right to speak from the platform is no longer an exclusive privilege of members of the national executive. In contrast to the restrictions imposed on Mr Healey, MPs and union officials introducing policy statements are now given a dispensation to move up from the ranks of delegates who have to speak from the floor.

So far, the changes are temporary. Conference itself would have to give its specific consent before cabinet ministers in a future Labour government enjoy an automatic right to speak from the platform.

Many delegates from constituency parties are determined to avoid finding themselves in the same position as their Tory counterparts whose annual conference is stage-managed

by Central Office. The anxieties of the activists have been heightened by their first experience this year of the application of the one-member-one-vote rule at local level.

In the London South constituency party, which has a membership of about 450, the meeting called to discuss the annual conference attracted an attendance of 21. Postal votes cast by absentees totalled 23.

Mr Vladimir Derez, who is associated with the Campaign for Labour Party Democracy, cites the evidence from Hendon to show that the previous practice of individual branches holding meetings to "mandate" delegates attending the conference created more interest.

Mr Harry Barnes, the MP for Derbyshire North-East who defied the Labour front bench in the Commons by voting against Britain's involvement in the Gulf war and by advocating support for those who refused to pay the poll tax, voices widespread reservations among the rank and file about the way the ethos of conference is being changed.

Although not opposed to the

curbing of the trade union block vote, he would like the one-member-one-vote principle at constituency level to be linked to a qualification based on attendance at party meetings, with exceptions for the disabled and other appropriate categories.

Mr Barnes is concerned about the extent to which the annual conference is being influenced by decisions made at the party's Walworth Road headquarters. He complains: "There is a tendency towards centralisation which is not all that compatible with internal participatory democracy."

There is discontent also among activists with the recently introduced procedure providing for wide-ranging debates on a group of issues. The effect is to prevent a succession of speakers from concentrating on a single embarrassing topic.

Still, with Mr Kinnock firmly in charge of the National Executive, the momentum for change - and towards tighter stage management - looks unstoppable.

A range of further reforms is

planned for the first conference held after the election.

Chief among them is the trigger mechanism for limiting the power of the trade union block vote - initially reducing its weighting at the annual conference from 80 per cent to 70 per cent - with further reductions to be introduced in proportion to the growth in individual membership.

Mr Kinnock hopes also to secure approval for the introduction of a 170-member national policy forum and seven standing commissions covering various policy areas which between them would produce a "rolling programme".

The annual conference would then have a reduced role in initiating policy and the horstrading between the big unions that leads to multi-faceted "composite" resolutions would be reduced.

If the self-styled "captain" Kinnock also gains the title of prime minister, a restyled conference could give him a more effective means of controlling all the party's institutions than any of his predecessors.

UK NEWS

Government to withdraw from pay agreements

By John Willman

THE government is today expected to tell unions representing more than half a million public officials that it is withdrawing from existing pay agreements.

The move, affecting the 550,000 officials known in Britain as civil servants, comes as negotiations are about to begin on changing the agreements to strengthen the link between pay and performance and to decentralise pay talks.

Unions will now be under pressure to accept changes demanded by the government to retain the formula for pay agreements linking salaries in the Civil Service to the private sector.

The decision to renegotiate the six civil service pay agreements was announced in July by Mr Norman Lamont, the Chancellor of the Exchequer. It followed publication of the prime minister's citizen's charter which stressed the role of performance-related pay as an incentive for improving the quality of public services.

The civil service agreements, signed in 1988 and 1989, include an element of performance-related pay which accounts up to 5 per cent of the £7bn salary bill. But most civil servants are not eligible to receive performance pay until they have been at the top of their salary scale for five years.

Ministers want to amend the agreements to introduce greater opportunities to win performance pay additions.

Among the options under consideration are extending performance pay to staff who are not at the top of their pay scales, and awarding it to offices or teams which have

achieved pre-set targets.

Mr Lamont's statement also acknowledged pressure for decentralised pay bargaining from the managers of executive agencies set up to deliver government services, such as the payment of benefits.

These managers want freedom to opt out of the national pay agreements and adopt pay and grading structures more appropriate to their operations. Mr Lamont has endorsed bargaining at departmental and agency level, which appears to end the Treasury's previously opposition to devolution of pay responsibilities.

The Treasury is expected to propose plans to implement these changes next month, with a timetable to complete negotiations by the end of the year. But it must issue the termination threat today to give the required six months' notice for agreements which provide for a pay rise from 1 April 1992.

All the unions are likely to oppose strengthening performance pay arrangements they resisted when the existing agreements were negotiated.

The Association of First Division Civil Servants (FDA), which represents top civil servants, has highlighted evidence which suggests that performance-related pay arrangements in the civil service discriminate against women. Treasury figures published by the FDA show that 52 per cent of top male civil servants qualified for performance-related payments, while only 38 per cent of top women did so.

The Council of Civil Service Unions will meet on October 8 to determine their response.

Tories signal new plans to reduce inheritance tax

By Philip Stephens and John Authers

THE Conservatives signalled yesterday that Mr John Major is ready to commit the party to substantial reductions in inheritance tax (IHT) during the next general election campaign.

Senior party figures said the prime minister had backed to plans to raise the present £140,000 threshold for payment of the tax and to consider reducing the 40 per cent rate on sums above that level.

Despite Treasury objections to a commitment which might push the Conservatives into abolishing the tax, the party is expected to promise a reduction in its election manifesto.

The manifesto will say a future government under Mr Major will promise to allow the transfer of wealth from generation to generation.

The political appeal of reducing inheritance tax comes from the fact that the present threshold - raised from £128,000 in the last Budget - fails to take into account the sharp rise in house prices over the past decade. Many middle class people inheriting houses in high-value areas became liable to a tax intended originally for the rich.

Ministers believe a pledge to reduce the tax, which raises

about £1bn in revenue, would help sharpen the contrast on tax between the Conservatives and Labour.

The current tax regime is already very lenient, for those who know how to take advantage of the exemptions - one accountant has called it a "voluntary tax" - but few people take advantage of the opportunities to avoid paying. A Mori survey earlier this year found that 62 per cent of people aged between 50 and 64 had done nothing to plan for IHT.

This suggests the advantages of the current regime go mainly to those wealthy enough to pay for advice. Reform could make it simpler for the new generation of home-owners to avoid paying.

It could have a more serious impact on the financial services industry. Mintel, the market research company, found that £8.1bn passed directly from one generation to another in the tax year of 1990-91. It projects that this will rise to £13bn by the year 2000.

Much financial marketing is currently aimed at scooping up some of this wealth, most of which goes to middle-aged people who already own their own homes, and this would increase if the tax were reformed.

Network of 'marriage bureaux' likely for small investors

By Charles Batchelor

PLANS FOR a nationwide network of "business marriage bureaux" to forge links between private investors - "business angels" - and small businesses seeking equity capital are expected to be announced by the government within the next few weeks.

The scheme will be run on a pilot basis at five centres for a two-year period. The government will provide funding of £20,000 a year. The Department of Employment is assessing bids from enterprise agencies and other small business support organisations to be allowed to run the five pilot centres.

Mr Eric Forth, small firms minister at the department, has been consider-

ing the plan for the past year and has looked at the experience of small firms with angels in the US. Angels are estimated to provide more finance to US small firms than the formal venture capital industry.

One of the enterprise agencies to bid for a pilot franchise is the Staffordshire Development Association, which is part of the county council's economic development unit. The association would appoint a representative from a bank or large local employer to run the marriage bureau, said Mr Rob Redfern, principal finance officer with the county council.

News of the government plans coin-

cides with the publication of a report claiming that private investors are already an important source of funding to small firms but that, with encouragement, they could make an even greater contribution.

Private funds are not fully exploited by small businesses and business angels are unable to find enough investment opportunities, according to the study by Mr Colin Mason of Southampton University and Mr Richard Harrison of the University of Ulster.

The two researchers call for the creation of a national network of marriage bureaux to bring investors and companies together. They spoke to 86

investors who had invested a total of £3.1m in 172 ventures over a three year period but who had up to £10m of additional funds which they wished to invest.

Business referral services have attracted only a limited subscriber base and achieved only modest success in promoting successful matches, the researchers noted.

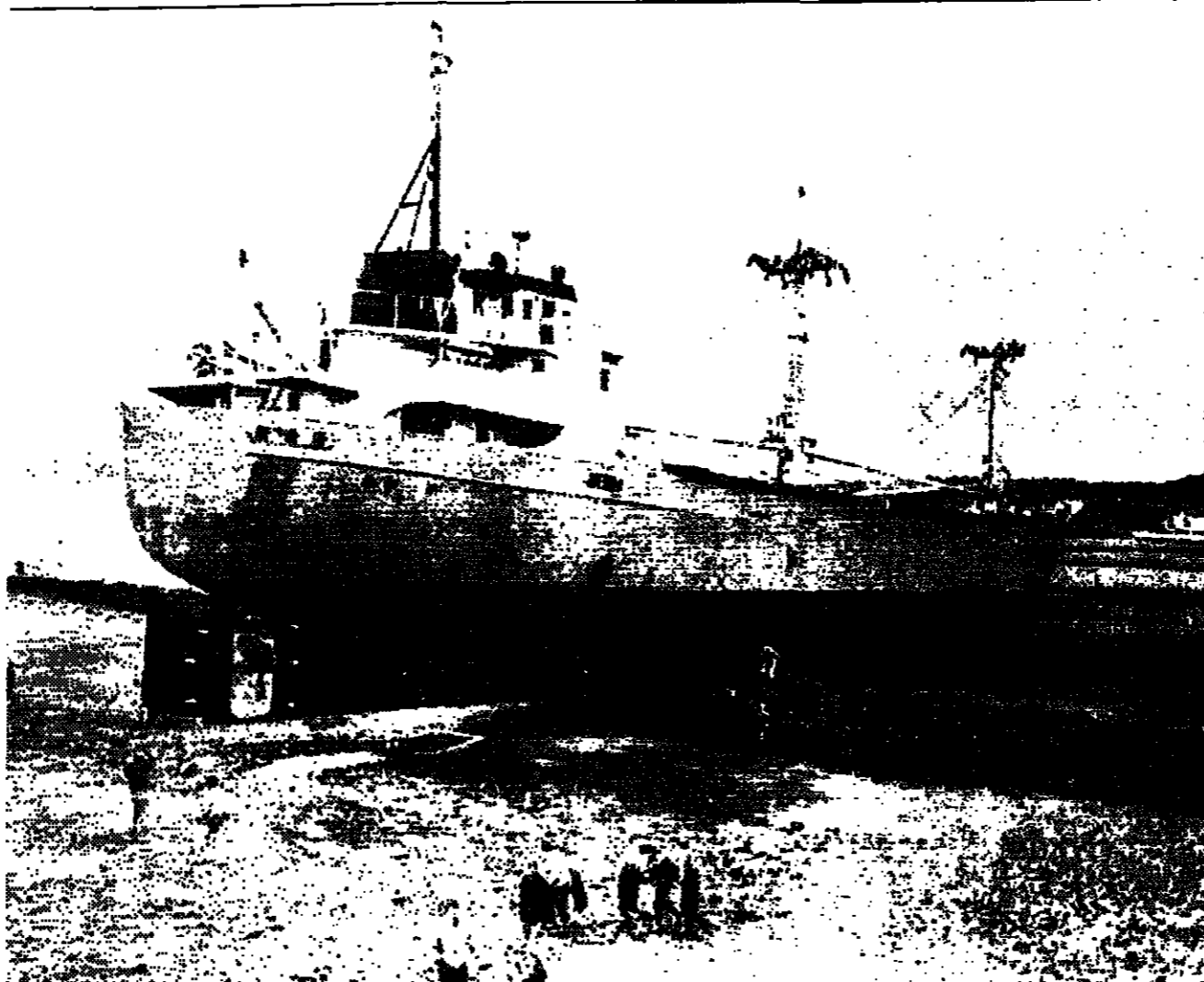
A pilot scheme designed to help unemployed Hungarians search for jobs in a market economy opens tomorrow with assistance from the Department of Employment.

The Jobclub, modelled on the British equivalent, will teach Hungarians how to look for jobs, make applica-

tions and improve interview skills. Mr Mike Fogden, chief executive of the Employment Service, an executive agency of the Department of Employment, will formally open a Jobclub in the city of Eger, north of Budapest.

Hungarians will be able to attend training sessions and use the centre's telephone, stationary and postage to help in their job hunt.

Eger was chosen for the scheme by the Hungarian government as a town with a mixed economy including substantial numbers working in mining and food processing. Unemployment was officially 200 last year, but is expected to rise to 10,000 by the end of 1991.



Gale force: severe storms hit the west coast of Britain at the weekend closing ports and stranding several vessels, including the Honduran-registered vessel Marga Cortes (pictured yesterday) which ran aground at Clwyd, north Wales

Specialists urge stronger action on public health

By Alan Pike, Social Affairs Correspondent

THE government came under pressure yesterday to strengthen its proposed strategy to improve national health standards announced by Mr William Waldegrave, health secretary, in a green paper in June.

A report by an influential group of public-health specialists argues that Britain still has a poorer health record than many of its European neighbours, with wide divisions between rich and poor.

The authors have written to Mr Waldegrave, urging a tougher programme, with National Health Service funds earmarked for health promotion. They call for action in 11 priority areas, and warn that the government's narrower programme might actually "further inequalities between rich and poor, young and old".

A broadly based independent committee of academics and health specialists has produced the report, published by the King's Fund health policy research centre and supported by the Health Education Authority and the London School of Hygiene and Tropical Medicine.

It says Britain has relatively low infant mortality rates, but

expectations of life after the age of 45 is "among the worst in north-western Europe".

Many of the causes of premature mortality and other health threats are linked to social deprivation. Mr Waldegrave has decided against making the closing of the health gap between social groups a target of the government's strategy.

The King's Fund report, however, emphasises the links between poor health and deprivation. It says: "The health disadvantage of the working classes might be an area of public health in which major gains can most readily be achieved."

It urges action on smoking, diet, alcohol, physical activity, sexual health, road safety, maternity services, dental health, early cancer detection, high blood pressure reduction and immunisation.

The government is under attack from health promotion interests for failing to support an EC plan to ban almost all cigarette advertising. Previously unpublished health department research in the report shows a majority of Britons would support a ban on posters and in newspapers.

Anxious moments precede election date

FT reporters gauge business and local government concerns on the timing of the poll

UNCERTAINTY about the timing of the UK general election is disrupting business planning and may be delaying the rebound in investment and consumer confidence.

Many local authorities are worried by the speculation because they fear an early election could upset plans to replace the poll tax, the controversial charge designed to pay for local services but dropped amid fierce opposition.

Council financiers probably have a vested interest in a June election producing a Tory victory, which would mean the plans for the government's new council - due to be launched in April 1993 - go through unscathed. Should the Labour opposition win, it would almost certainly scrap the scheme, disrupting council finances.

In the City, however, the uncertainty has buoyed the market for certain types of financial instruments which are destined to be scrapped if Labour takes power.

There is also some evidence

that companies have speeded up rights issues, or even merger activities, to ensure that these are in hand before an election intervenes.

Investment groups are seeing a surge in demand for financial instruments tied to

companies have speeded up rights issues, or even merger activities, to ensure that these are in hand before an election intervenes.

putting money into what are called assured-tenancy business expansion schemes where a specially formed company buys housing and rents it out to a third party, with investors guaranteed a return. The product is proliferating because Labour Party has said it will be scrapped if it forms the next government.

Mr Sudhir Junankar, head of economic trends at the Confederation of British Industry

(CBI), the employers' organisation, said election uncertainty "was not helpful" and may be causing companies to delay investment plans.

Mr Jim Maxmin, chief executive at Laura Ashley, the fashion and furnishings group, said the economic upturn was probably being delayed by consumers becoming "ultra-cautious" about increasing spending due to anxiety about the shape of the next government.

Another area where the uncertainties may be speeding up events is in rights issues. At Hillside Holdings, the food group, Mr Kevin O'Sullivan, finance director, said that not knowing the election date had had some effect on the timing of its £231m rights issue, announced last week. "One consideration was the election and the uncertainty that might arise in the market."

Professor Paul Marsh, a management expert at London Business School, said companies might be accelerating other developments, such as mergers, on the grounds that the climate for these could be

affected after an election.

A specific worry in some quarters of industry is that a new Labour government might increase taxes for the higher-paid.

Sir David Plastow, chairman and chief executive of Vickers,

among high earners that their tax position might be dramatically altered after the election."

In the property market "there is anxiety among high earners that their tax position might be dramatically altered after the election".

the engineering group which makes Rolls-Royce and Bentley cars, said speculation about the election date might be influencing people considering luxury purchases.

At Wimpey, Britain's second largest housebuilder, Sir Clifford Chetwood, the chairman, said questions over the poll date have held back housing demand. "This is particularly true at the top end of the market where there is anxiety

MPs face tighter rules on lobbying

By Alison Smith

A NEW public register of parliamentary lobbyists is at the centre of tighter rules about MPs' business interests recommended today by an all-party committee of MPs.

The proposal comes in a report on parliamentary lobbying by the select committee on MPs' interests and follows an extended inquiry into the industry. Recommendations also include new restrictions on MPs' links with commercial lobbying organisations. Only commercial companies would be covered by the planned register, and it would omit charities or pressure groups.

The controls on MPs' interests operate through a system of declaration. MPs are allowed professional and business links, but they must be publicly registered, and declared if an MP makes a speech in the Commons to which his or her interests are relevant.

The recommendations will have to be approved by the Commons itself before they can be implemented.

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UK NEWS

Business failures rise to 930 a week

By Charles Batchelor

AN AVERAGE of 930 businesses collapsed each week in England, Scotland and Wales during the first nine months of this year, according to Dun & Bradstreet, the business information group.

That compares with 545 a week in the same period in 1990 and 920 a week during the first six months of 1991. Total business failures rose by 71 per cent to 83,532 in the first nine months of 1991, the largest increase for 11 years.

The figures mirror the trends of the last recession,

when business failures continued to rise sharply for two years after the first signs of a recovery appeared in 1981, Dun & Bradstreet said.

The group said it looked as if its earlier prediction of 40,000 business failures in 1991 would prove correct.

The sharpest effects of the recession are no longer being felt in the south-east region and are at their fiercest in the south-west and the east Midlands, which recorded increases in failure rates of 90 per cent each. Wales, eastern

England and Scotland also recorded increases of 80 per cent or more.

In the south-west, business failures rose from 2,008 in the first nine months of 1990 to 3,830, while in the east Midlands they increased from 829 to 1,575.

In the south-east failures rose by 73 per cent to 6,705. In London failures rose 59 per cent to 5,654.

The announcement coincided with the launch of a small-business Charter for Enterprise by the Federation of

Small Businesses and a call for the government to create a more favourable environment.

Small businesses need a charter equivalent to the citizens' charter that have been announced by the main political parties, the federation said. It has changed its name from the National Federation of Self Employed and Small Businesses.

Mr John Harris, policy unit chairman, said: "Small businesses desperately need a lot more carrot and a lot less stick."

The federation's 28-point charter included calls for a mandatory analysis of all new regulations to assess their effects on small business; court reforms to ease the pursuit of late payments and bad debts; and the abolition of business rates.

It also wants the introduction of a two-tier system of interest rates with a lower rate for business borrowing, a mandatory code of conduct for the banks and the simplification of business leases and rent review procedures.

Baker criticised over law and order

By Robert Rice

THE GOVERNMENT has been accused of complacency over law and order in an attack by the chairman of the Bar, which represents barristers.

At the Bar's annual conference in London, Mr Anthony Scrivener QC told Mr Kenneth Baker, the home secretary, that law and order were in crisis. He said: "The police are desperately short of resources; sentencing policies do not seem to be working; having to use police cells to house prisoners is hopeless; the conviction rate has never been lower; and yet there seems to be a general aura of complacency about it. What we need is some leadership to take us out of it."

Earlier at the conference Labour's plans for a ministry of justice had been attacked by Mr Baker.

He said the opposition's proposals were designed to secure influence over the judges and to make the courts "directly accountable" to MPs in every aspect of their organisation and operation.



Condemned: Kenneth Baker pictured during a visit to Belmarsh Prison, Thamesmeade

Mr Baker derided Mr Roy Hattersley's plans to create a new ministry of justice, saying that the independence of the judiciary could be guaranteed only under a Conservative government.

He said that the shadow home secretary was on record as saying judges were notoriously their own creatures,

disinclined through long exercise of power to heed outside influence, and that at no time in our history had the public been less satisfied with them.

The government's position was clear, he said. "We respect and value judicial independence. That independence, free of interference from politicians, is one of the fundamen-

tal principles rightly cherished in our country."

The home secretary defended the government's record on law and order and law reform. It had pushed through substantial measures on police powers, criminal evidence, sentencing and prosecution arrangements. "That is not a policy of neglect," he said.

Mr Scrivener said that

Builders urge cash aid from councils

By Andrew Taylor, Construction Correspondent

CONSTRUCTION INDUSTRY leaders will ask the prime minister today to ease restrictions inhibiting local authorities from spending proceeds from council house sales on new construction.

The presidents of three of the industry's largest trade associations, representing companies with a combined annual turnover of more than £40bn, will meet Mr Major at 10 Downing Street to discuss the effects of the severe recession on construction and building-material companies.

Sir Clifford Chetwood, president of the Building Employers Confederation and chairman of Wimpey, the country's second-largest house builder, has given a warning that a quarter of a million construction jobs are likely to have disappeared between the middle of 1989 and next summer.

He will be joined at the meeting with the prime minister by Mr Andrew Yare, president of the National Council of Building Material Producers and chief executive of ECC group, formerly English China Clay, and by Mr James Miller, president of the Federation of Civil Engineering Contractors and chairman of the Miller group, a privately owned building and civil engineering company.

They are expected to try to persuade the government to take advantage of cheap prices in the construction industry to encourage spending on infrastructure - particularly on roads but also on schools and hospitals.

They will also ask Mr Major to allow councils to spend a much higher proportion of capital receipts from council house sales to build new houses in order to reduce homelessness and to increase work for one of the industries worst affected by the recession.

Lawyers still at odds, Bar meeting told

By Robert Rice

BARRISTERS and solicitors are still at odds over who should have the right to appear as an advocate in the higher courts, the Bar conference was told yesterday.

Mr Philip Ely, president of the Law Society, which represents solicitors, said the fact that the head of the solicitors' profession had been invited for the first time to speak at the Bar's conference was a sign of improving relations between the two branches of the legal profession.

Nevertheless, on certain issues, such as rights of audience and the circumstances in which a lawyer should be obliged to take on work, barris-

ters and solicitors were still "visibly unable to reach agreement or even common ground".

The government's reforms of the legal profession had deliberately made barristers and solicitors into competitors, but solicitors still needed barristers and would continue to do so.

Mr Ely also criticised the Bar for its failure to establish an objective scheme for identifying barristers with specialist expertise in particular areas of the law. The solicitors' profession was establishing specialist panels for assessing solicitors' expertise in such areas as personal injury and medical negli-

gence because it recognised that in certain areas of practice mere qualification as a solicitor was not enough.

Without similar schemes for assessing the expertise of barristers, solicitors were unable to safeguard standards of service to the public in cases where it was necessary to instruct a barrister. It was not good enough to say that a specialist childcare solicitor should just instruct any barrister, he said.

On Sunday trading and the issue of whether the 1950 Shops Act contravenes European Community law, Mr Justice Hoffmann said the supremacy of EC law over UK law had

never been in doubt since Parliament passed the European Community Act in 1972.

Generally, English law had adapted well to that but some areas remained contentious. The issue of the Shops Act had had to be referred twice to the European Court in three years, partly because the court had been unable to give a clear answer in 1988 and partly because it appeared to have changed its mind in two subsequent Sunday trading cases involving France and Belgium.

Sunday trading, Mr Justice Hoffmann said, was one area where the supremacy of EC law had produced a "complete dog's breakfast".

LEGAL NOTICE

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:

PAN AM CORPORATION,
PAN AM CORPORATION,
PAN AMERICAN WORLD AIRWAYS, INC.,
ALLMAY INTERNATIONAL, INC.,
PAN AM SHUTTLE INC.,
PAN AM EXPRESS, INC.,
ALEX MANAGEMENT SYSTEMS, INC.,
PAN AM COMMERCIAL SERVICES, INC.,
Debtors.

NOTICE OF HEARING ON ADEQUACY OF DISCLOSURE STATEMENT

PLEASE TAKE NOTICE that a hearing on the adequacy of the Disclosure Statement With Respect To The Joint Consolidated Plan of Reorganization Proposed By The Debtors And The Official Committee Of Unsecured Creditors For Pan Am Corporation And Its Affiliated Debtors (the "Plan") will be held before the Honorable Cornelius Blackshear, United States Bankruptcy Judge, on October 24, 1991, at 2:00 p.m. (the "Hearing") or as soon thereafter as counsel may be heard in Room 601 of the United States Bankruptcy Court, Southern District of New York, Alexander Hamilton Court House, One Bowling Green, New York, New York.

PLEASE TAKE FURTHER NOTICE that at the Hearing the Court may also (a) fix the last date by which parties in interest may file objections or motions to the Plan, and (b) schedule a confirmation hearing with respect to the Plan.

PLEASE TAKE FURTHER NOTICE that objections, if any, to approval of the Disclosure Statement must be made in writing and filed with the Clerk of the Bankruptcy Court on or before the date of the Hearing, 1991, and copies of any such objections must also be served by hand, express mail or by Federal Express to be received no later than the same date on Counsel for Debtors, Cleary, Gottlieb, Steen & Hamilton, One Liberty Plaza, New York, New York 10006 (Attention: George Weisz, Esq.), Counsel for the Official Committee of Unsecured Creditors, Milgrim Thomaian & Lee P.C., 53 Wall Street, New York, New York 10005 (Attention: Marc E. Richards, Esq.), and Counsel for Delta Air Lines, Inc., Shrook & Shrook & Lavin, 7 Hanover Square, New York, New York 10005 (Attention: Lawrence M. Handelman, Esq., and Davis Polk & Wardwell, One Chase Manhattan Plaza, New York, New York 10005 (Attention: Joseph Rinaldi, Esq.).

PLEASE TAKE FURTHER NOTICE that no further written notice will be given of the filing of amendments to the Disclosure Statement or Plan or of adjournments of the Hearing on the adequacy of the Disclosure Statement, as initially filed or as amended, which adjournments may be made in open Court from time to time.

PLEASE TAKE FURTHER NOTICE that copies of the Disclosure Statement and Plan are available for review during regular business hours, Monday through Friday, at the offices of Poorman-Douglas Corporation, 1325 Southwest Custer Drive, Portland, Oregon 97219; at the offices of Pan Am Corporation, 200 Park Avenue, 9th Floor, New York, New York 10011; and at the office of the clerk of the United States Bankruptcy Court, Southern District of New York, 6th floor, One Bowling Green, New York, New York 10004-1408. Copies of the Plan and Disclosure Statement may be obtained by making a written request to John E. Smith, Esq., Cleary, Gottlieb, Steen & Hamilton, One Liberty Plaza, New York, New York 10006.

Dated: New York, New York
September 24, 1991

BY ORDER OF THE COURT

/s/ Cornelius Blackshear
United States Bankruptcy Judge

CLEARY, GOTTIEB, STEEN &
HAMILTON
Counsel for Pan Am Corporation et al.
One Liberty Plaza
New York, New York 10006
(212) 225-2000

MILGRIM THOMAJAN & LEE P.C.
Counsel for the Official Committee of Unsecured Creditors
53 Wall Street
New York, New York 10005
(212) 658-5300

LEGAL NOTICES

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:

PAN AM CORPORATION, et al.,
Debtors.
PAN AM CORPORATION, PAN AMERICAN
WORLD AIRWAYS, INC., PAN AM SHUTTLE,
INC., PAN AM EXPRESS, INC., PAA
CORP., ALLMAY INTERNATIONAL, INC.,
ALEX MANAGEMENT SYSTEMS, INC.,
PAN AM COMMERCIAL SERVICES, INC.,
and THE OFFICIAL COMMITTEE OF
UNSECURED CREDITORS OF PAN AM
CORPORATION, et al.,
Plaintiffs,
- against -
ALL UNSECURED CREDITORS OF
PAN AM CORPORATION, et al., DEBTORS,
INCLUDING HOLDERS OF THE DEBTORS'
PUBLICLY-TRADED BONDS AND DEBENTURES
(EXCEPT FOR PAN AM CORPORATION DUAL
CURRENCY BONDS DUE 1995 and PAN
AMERICAN WORLD AIRWAYS SECURED
EQUIPMENT CERTIFICATES DUE 1994) AND
THE INDENTURE TRUSTEES OF SUCH BONDS
AND DEBENTURES,
Defendants.

Chapter 11
Case Nos. 91 B10080 (CB)
through 91 10087 (CB)

Adv. Proc. No 91-6175A (CB)

NOTICE OF TEMPORARY RESTRAINING ORDER
ENJOINING TRANSFERS OF CERTAIN UNSECURED
CLAIMS, AND NOTICE OF HEARING ON PLAINTIFFS'
MOTION FOR A PRELIMINARY INJUNCTION

TO ALL CREDITORS, INDENTURE TRUSTEES, RECORD
HOLDERS AND BENEFICIAL OWNERS OF CERTAIN OF
THE DEBTORS' PUBLICLY-TRADED BONDS AND DEBENTURES
AND OTHER PARTIES IN INTEREST:

NOTICE IS HEREBY GIVEN, as follows:

PLEASE TAKE NOTICE THAT, on September 24, 1991, the Bankruptcy Court signed an order to show cause setting a hearing for October 3, 1991, on the plaintiffs' joint motion in the above adversary proceeding for a preliminary injunction (the "Joint Motion"): (1) staying, enjoining and restraining, until a plan or plans of reorganization of the Debtors become(s) final or these Chapter 11 cases are dismissed or converted to cases under Chapter 7 of the Bankruptcy Code, all unsecured creditors of the Debtors, including the holders of the Debtors' publicly-traded bonds and debentures (except for Pan Am Corporation Dual Currency Bonds due 1995 ("PAC Dual Currency Bonds") and Pan American World Airways 115 Secured Equipment Certificates due 1994, Series A and B ("Equipment Certificates")), and all indenture trustees of such bonds and debentures, from selling, assigning, pledging, trading or otherwise transferring or attempting to transfer any and all: (a) general unsecured claims, putative general unsecured claims, or any interest therein, and (b) any and all of the Debtors' publicly-traded bonds and debentures (other than PAC Dual Currency Bonds and the Equipment Certificates) or any beneficial interests therein, which would result in the transferee owning or being deemed to own a beneficial interest in 5.00 percent or more of any class of such bonds or debentures; and (2) directing all record holders of the Debtors' bonds and debentures covered by this adversary proceeding to provide certified statements to the plaintiffs, in a form annexed to the order to show cause, identifying, as of September 24, 1991: (a) all beneficial owners of such debt securities, (b) the amounts of such debt securities beneficially owned by each beneficial owner, and (c) the serial numbers of each certificate of such debt securities evidencing the beneficial owner's interest.

PLEASE TAKE FURTHER NOTICE THAT a hearing to consider the Joint Motion will be held on October 3, 1991, at 2:00 p.m. or as soon thereafter as counsel may be heard, before the Honorable Cornelius Blackshear, United States Bankruptcy Judge, in Room 601 of the United States Customs House, One Bowling Green, New York, New York 10004. The hearing may be adjourned from time to time without further notice other than an announcement in open court of the adjournment date(s) at the hearing or an adjourned hearing.

PLEASE TAKE FURTHER NOTICE THAT objections, if any, to the relief requested in the Joint Motion shall be in writing, shall set forth the name of the objecting party, the basis for the objection and the specific grounds therefor, and shall be served by personal delivery or by Federal Express, overnight mail or other overnight courier service upon Cleary, Gottlieb, Steen & Hamilton, One Liberty Plaza, New York, New York 10006 (attention: George Weisz, Esq.), counsel for the Debtors; Milgrim Thomaian & Lee P.C., 53 Wall Street, New York, New York 10005-2815 (attention: Richard Levy, Jr., Esq.), counsel for the Official Committee of Unsecured Creditors; Shrook & Shrook & Lavin, Seven Hanover Square, New York, New York 10004 (attention: Lawrence M. Handelman, Esq., and Davis Polk & Wardwell, One Chase Manhattan Plaza, New York, New York 10005 (attention: Joseph Rinaldi, Esq.), counsel for Delta Air Lines, Inc.; Cahill Gordon & Reindel, 80 Pine Street, New York, New York 10005 (attention: Robert Usadi, Esq.), counsel for the Official Repleas Committee; and the Honorable Harold Jones, United States Trustee, One Bowling Green, New York, New York 10004, and filed with the Court together with proof of service not later than 5:00 p.m. Eastern Time on October 1, 1991.

TEMPORARY RESTRAINING ORDER

PLEASE TAKE FURTHER NOTICE THAT on September 24, 1991, pending the hearing on the Joint Motion, the Bankruptcy Court entered a temporary restraining order with respect to transfers and trading of such general unsecured claims and publicly-traded bonds and debentures. The temporary restraining order provides, in pertinent part:

"ORDERED that, pending a hearing and determination on Plaintiffs' motion for a preliminary injunction, but not to exceed ten days from the date hereof unless extended by further order of the Court, and in addition to the automatic stay imposed by the provisions of Section 362(a) of the Bankruptcy Code, the defendants, including, but not limited to, all beneficial owners of any of the Debtors' publicly-traded bonds or debentures (other than the PAC Dual Currency Bonds and the Equipment Certificates), all actual or prospective purchasers or transferees of such bonds, debentures or beneficial interests, together with their officers, agents, servants, employees, members of the same family (as defined elsewhere in the Order), attorneys, all persons in active concert or participation with them, including organizations under common control (as defined elsewhere in the Order, all such persons collectively referred to as "person"), and all persons having notice of this Order, and each of them, be and each of them hereby are stayed, restrained and enjoined: (1) in the case of a Person who does not beneficially own any such bonds, debentures or interests therein, or a Person who beneficially owns less than 5.00 percent of any class of such bonds or debentures, from purchasing, acquiring or otherwise obtaining of record, or beneficially, an amount which, when added to such Person's total beneficial ownership as of 11:59 p.m. Eastern Time on September 24, 1991, if any, equals more than 4.99 percent of any class of such bonds or debentures; (2) in the case of a Person who beneficially owns 5.00 percent or more of any class of such bonds or debentures, from purchasing, acquiring or otherwise obtaining of record, or beneficially, any additional bonds or debentures of such class; and (3) in the case of the indenture trustee(s) and transfer agents for any class of such bonds or debentures, from registering, or taking any steps to register, any transfer of any of the Debtors' publicly-traded bonds and debentures (other than the PAC Dual Currency Bonds and the Equipment Certificates) or any beneficial interests therein where the transferee beneficially owns, or would beneficially own as a result of the transfer, 5.00 percent or more of any class of such bonds or debentures; and it is further

"ORDERED that, pending a hearing and determination on Plaintiffs' motion for a preliminary injunction, but not to exceed ten days from the date hereof unless extended by further order of the Court, and in addition to the automatic stay imposed by the provisions of Section 362(a) of the Bankruptcy Code, the Office of the Clerk of the United States Bankruptcy Court for the Southern District of New York, Poorman-Douglas Corporation, their officers, agents, servants, employees, and attorneys, all persons in active concert or participation with them, all persons having notice of this Order, and each of them, be and each of them hereby are stayed, restrained and enjoined from accepting, processing, registering or acknowledging any notices or proofs of transfers that are attempted to be made pursuant to Bankruptcy Rule 3001 or otherwise concerning transfers of: (1) any general unsecured claims against any of the Debtors, any putative general unsecured claims against any of the Debtors, or any interest therein; and (2) any of the Debtors' publicly-traded bonds and debentures (other than the PAC Dual Currency Bonds and Equipment Certificates), or any beneficial interests therein, where the transferee beneficially owns, or would beneficially own as a result of the transfer, 5.00 percent or more of any class of such bonds or debentures."

"ORDERED that, pending a hearing and determination on Plaintiffs' motion for a preliminary injunction, but not to exceed ten days from the date hereof unless extended by further order of the Court, and in addition to the automatic stay imposed by the provisions of Section 362(a) of the Bankruptcy Code, the Office of the Clerk of the United States Bankruptcy Court for the Southern District of New York, Poorman-Douglas Corporation, their officers, agents, servants, employees, and attorneys, all persons in active concert or participation with them, all persons having notice of this Order, and each of them, be and each of them hereby are stayed, restrained and enjoined from accepting, processing, registering or acknowledging any notices or proofs of transfers that are attempted to be made pursuant to Bankruptcy Rule 3001 or otherwise concerning transfers of: (1) any general unsecured claims against any of the Debtors, any putative general unsecured claims against any of the Debtors, or any interest therein; and (2) any of the Debtors' publicly-traded bonds and debentures (other than the PAC Dual Currency Bonds and Equipment Certificates), or any beneficial interests therein, where the transferee beneficially owns, or would beneficially own as a result of the transfer, 5.00 percent or more of any class of such bonds or debentures."

Dated: New York, New York
September 24, 1991

BY ORDER OF THE COURT

/s/ Cornelius Blackshear
United States Bankruptcy Judge

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Pan Am Corporation, et al., Debtors
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(212) 658-5300

Attorneys for Plaintiff The Official
Committee of Unsecured Creditors of
Pan Am Corporation, et al.

EXELLE CLOTHES LIMITED

Registered number: 2334475
Nature of business: Retail Textiles and Clothing
Trade classification: 17
Date of appointment of joint administrative receivers: 20 September 1991
Name of person appointing the joint administrative receivers: National Westminster Bank PLC
DAVID ROBERT WILTON and DAVID JOHN CORNEY
Joint Administrative Receivers
(Office holder nos 5573 and 1869)
Corr. Gully
43 Temple Row
Birmingham

I D Investment Development AG

Registered number: Registered in Switzerland
Nature of business: Proprietor of Hatching Hall, Suffolk
Date of appointment of joint Receivers: 4 September 1991
Name of person appointing the joint Receivers: The United Bank of Kuwait Plc
Name of appointee: Jonathan Michael Sloan and Malcolm John London joint Receivers
Office holder nos: 4928 & 2002
Presented by:
Cork Gully
The Atrium
St Georges Street
Norwich NR1 1AG

ROMAN HOMES

(DEVELOPMENTS) LIMITED
REGISTERED NUMBER: 2211886
Nature of business: Property development
Trade classification: 29
Date of appointment of joint administrative receivers: 18 September 1991
Name of person appointing the joint administrative receivers: National Westminster Bank PLC
IAN HARPER CARRUTHERS and JOHN FREDERICK POWELL
Joint Administrative Receivers
(Office holder nos 814 and 298)
Cork Gully
43 Temple Row
Birmingham
B2 5AT

Doubt over Black Country development

By Paul Chesswright, Midlands Correspondent

LONGSTANDING plans for a shopping and leisure complex at the largest site available for development in the Black Country are about to be thrown into confusion by the Metropolitan Borough Council of Sandwell, the authority landowner.

The 20-acre site, north-west of Birmingham, at the old Paton's steel works, formerly used by British Coal for open-pit mining, is one of two tranches in the plans of the Black Country Development Corporation (BCDC) to regenerate one of the most derelict industrial areas in the UK. The other is a new trunk road, passing by the site, connected to motorways.

This week the council's planning and property resources committee is expected to pass a

motion seeking a change in the designated use of the site from retail to general business activity. It will propose a change in the council's unitary development plan, which will settle the pattern of land use in the borough for the next 10 years.

Mr Bob Badham, the committee's chairman, said: "The original idea is outdated." The site is needed so that it can be developed for what is called "real jobs". He added that in the present economic situation it would in any case be difficult to generate funds for the retail and leisure scheme.

Speyhawk, the prospective developers of the site, called the council's expected move "precipitate" and thought it showed "a tendency to go for short-term expediency".

Wales seeks to lure financial companies

By Anthony Moreton, Welsh Correspondent

WELSH Development International, the inward investment arm of the Welsh Development Agency, is launching a series of roadshows across Europe seeking to attract more financial services companies.

Dr Gwyn Jones, chairman of the agency, said the drive would be based on the success of the financial services initiative launched three years ago.

Dr Jones said the pace of investment in Wales was increasing. In the first half of this financial year, 54 new projects and 44 expansions were announced, involving investment of £687m. That compared with 147 projects in the whole of 1990-91.

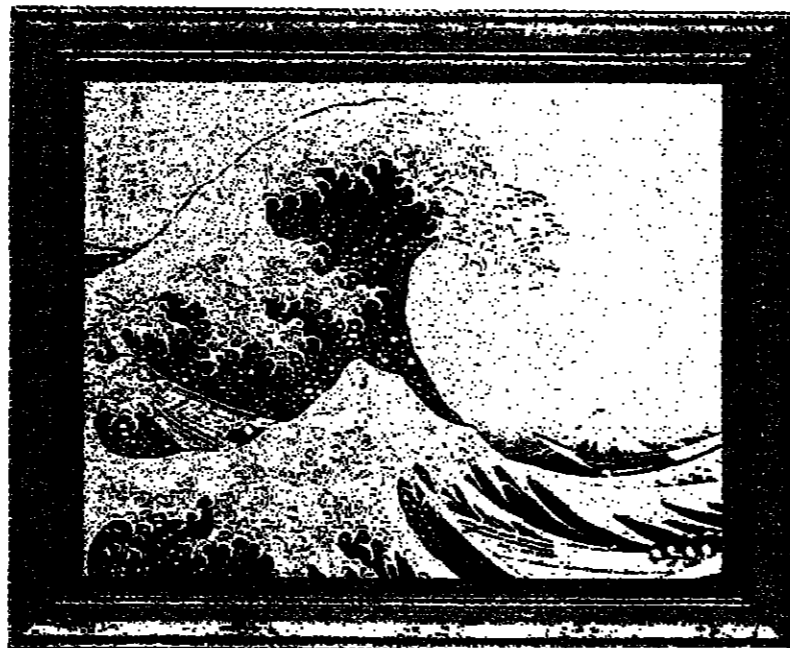
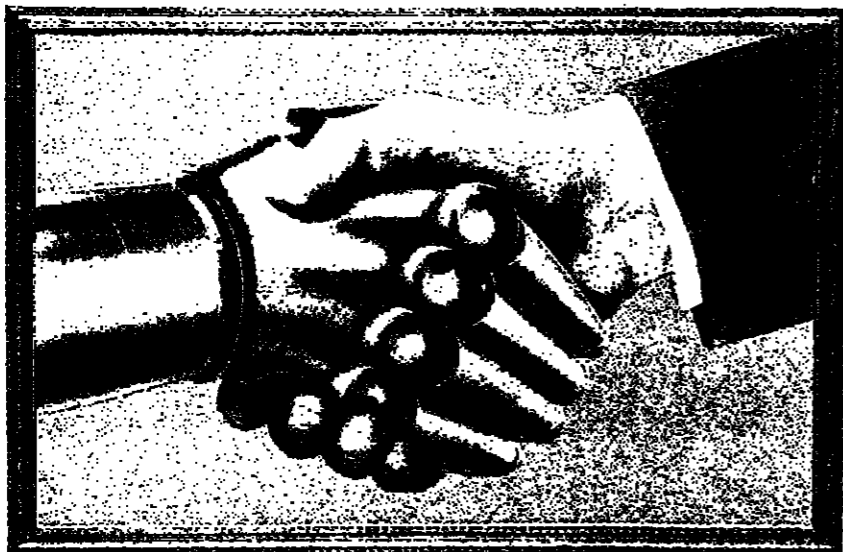
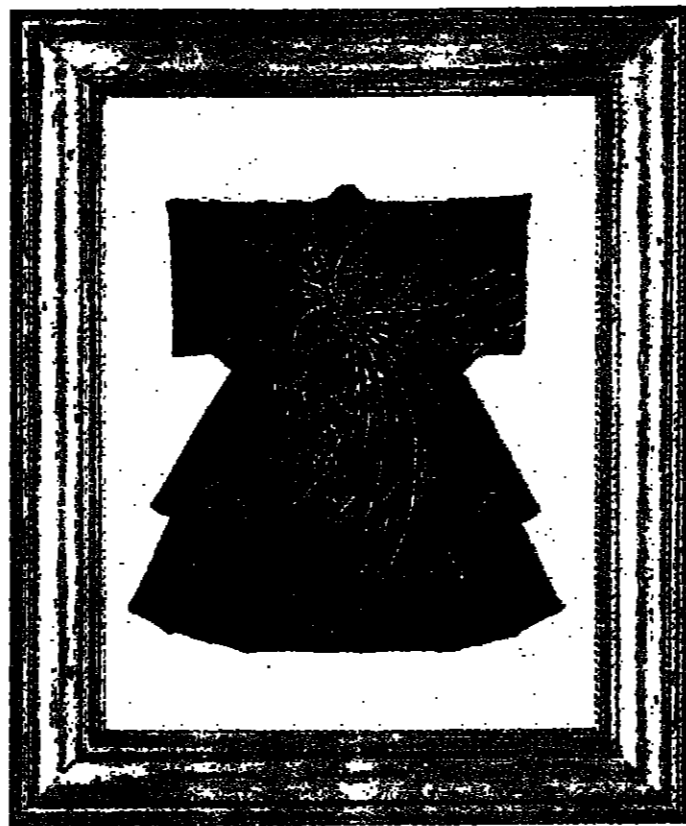
easy access to the City of London, south Wales was a particularly favourable spot for expansion.

He said the industrial successes of the past two decades, were being complemented by the growing financial services sector.

WDA research had shown that more than 70 per cent of Japanese companies in Wales placed their insurance with companies based in Wales.

Dr Jones said the pace of investment in Wales was increasing. In the first half of this financial year, 54 new projects and 44 expansions were announced, involving investment of £687m. That compared with 147 projects in the whole of 1990-91.

THE JAPANESE HAVE MARSHALLED THEIR ARTS.



From September to January, The Japan Festival is staging the largest celebration of Japanese arts and entertainment events ever seen outside Japan.

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MIDLAND GROUP TOYOTA in the UK Canon

UK NEWS

Inflation index may stop using mortgage costs

By Peter Marsh

THE GOVERNMENT'S Central Statistical Office is considering dropping mortgage payments in calculations of the retail price index (RPI), as a prelude to bringing UK practice into conformity with those in other European countries.

Any move to change the RPI would be politically sensitive, though, inviting criticism that the government was attempting to put a favourable gloss on its economic record, so firm proposals for alterations are likely to be delayed until after the next general election.

Britain is one of the few industrialised countries to use mortgage payments as a basis for measuring housing costs in their indices of consumer prices.

The CSO initiative arises partly from discussions about the convergence in pan-European inflation performance that would be needed before agreement on European economic and monetary union. There is new interest in harmonising measurements of inflation across the community.

Another aspect is that for some years the Treasury has been unhappy that Britain's measurement of inflation fails to give a true picture of

changes in prices at consumer level.

Ministers are particularly concerned that if they raise interest rates in an effort to slow inflation, that will increase mortgage payments and have the perverse effect of pushing up the RPI.

Among alternatives to using mortgage rates to measure housing costs, the CSO is considering a direct monitoring of house prices or the substitution of "imputed rent" levels - what householders would be paying if they were renting rather than buying. Another idea is to average out mortgage payments over a long period.

One difficulty for the CSO is that Britain has a higher proportion of owner-occupiers than most other developed countries. As a result, a system of measuring inflation that does not account for mortgage payments would look dubious.

Any move to change the RPI would, on past precedent, require the consent of the RPI Advisory Committee. The committee comprises mainly non-government experts and normally has as its chairman the head of the CSO.

In the past, the committee has rejected schemes to reduce the weighting of mortgage payments in the index.

Venture fund targets smaller companies

By Martin Regan

A NEW venture capital fund for the north-west is to be launched this week by Lancashire Enterprises, the former economic development arm of Lancashire County Council.

The £5.3m fund, LE Ventures, is aimed at unquoted companies of small to medium size and will offer investments of up to £500,000. The fund will be managed in the north-west and be available to companies within the region or those relocating to it.

Mr Jim Mason, Lancashire

Enterprises chairman, said the fund was a "considerable achievement in the present climate". The money has been raised from a number of institutional investors, including Guardian Royal Exchange, the insurance group.

LE Ventures will be the fifth fund managed by Lancashire Enterprises, which was sold by the county council last year to avoid proposed government restrictions on local-authority ownership of profit-making agencies.

Newcastle council faces further cuts in education budget

NEWCASTLE councillors will decide tomorrow on further cuts in the city's education budget, which faces a reduction of up to £5.5m next year as part of £15m council cuts across the board.

In an attempt to avoid charge-capping, the city council is already this year cutting its education budget from

£111m to £106m, but it has decided that more savings in 1992-93 are unavoidable.

The education committee, which has so far agreed cuts of £3.5m for next year, will decide tomorrow how spending on youth and community work and the adult education service can be pruned. Their functions include enhancing

standards of literacy and numeracy among the unemployed.

The effects of the cuts include redundancies, a freeze on equipment spending and reductions in services.

Mr Mark Corner, education committee chairman, said the scale of the cuts showed the "nonsense" of the govern-

ment's City Challenge initiative, which will bring about £7.5m to Newcastle next year.

He said: "The government can afford money for prestige capital projects but not for revenue spending."

"But the basic revenue spending is what is essential. There's very little understanding about the way in which

the draining of resources in the city is upsetting its social fabric."

The city's financial difficulties have been worsened by the street disturbances earlier this month, in which schools suffered more than £400,000 of damage from petrol bomb, arson and vandal attacks.

The council's total bill for

the riots is estimated at £500,000. Councillors are expected to agree this week to seek government help towards meeting the cost.

The Northumbria Police Authority, which faces a £2m bill for additional policing during the riots, is already lobbying the government for financial help.

Investment of pride in Northbourne Street

Chris Tighe at the scene of recent riots talks to local people about the way to achieve urban renewal

GRAFFITI and rubbish deface the sparse Newcastle playground where £20,000 worth of equipment bought with funds raised by local people was burned down by teenagers.

Around the corner in Northbourne Street, centre of an £8.5m North Housing Association revitalisation completed in 1989, empty flats are boarded up to deter vandals.

As night falls, small boys across the road at the end of the street practise hitting stones with empty bottles. They are standing beside a council housing estate where workmen spent the afternoon erecting fancy porches, part of yet another attempt to transform Newcastle's West End by public-sector investment.

Mr Arthur Keenan, 51, who lives in Northbourne Street, said: "You think to yourself quite often, why bother?" But Mr Keenan, who moved into the newly upgraded street in 1985, when Prince Charles visited and the future, briefly, seemed rosy, is among a group of tenants who have decided they must act to prevent their area declining further.

Newcastle's West End, scene of rioting two weeks ago, has been the focus in recent years of a plethora of costly public-sector schemes. It is now among 11 areas chosen for the government's new city challenge. That will pump about £37m into the West End over the next five years.

Increasingly, though, the area's politicians, the private sector and those tenants who care about their environment are concluding that such investment can bear fruit only if local people, including the disaffected young, are involved in a way that gives them self-esteem, pride in their area

and hope. Mr Keenan, a labourer unemployed for the past 10 years, said: "If you plough the money back into decorating just the outside, you can guarantee it will go back to the same state within five years. It's a waste of money till you fight the problems with the teenagers."

Last week he and fellow residents opened an office for the Northbourne Street Area Tenants Group. Its rebirth was spurred by a threat of rent rises to fund increased security in the wake of an £8,000 orgy of destruction by young vandals who wrecked an empty flat within hours.

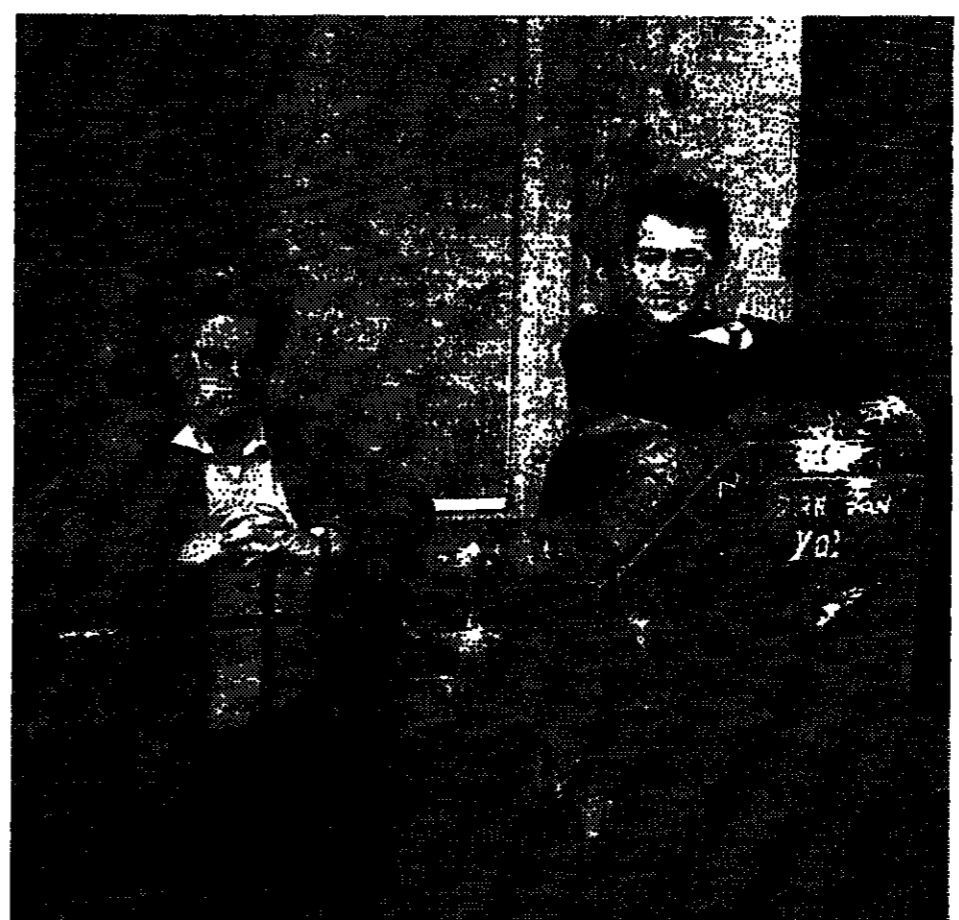
North Housing has provided a flat for the group's office and £1,500 funding - but local harassment has already dissuaded some residents from involvement.

Mr Danny Carrington, the group's 24-year-old chairman - an unemployed former barman and male stripper - blames parental irresponsibility in many cases. He believes more money needs to be spent in the area on recreational facilities to get young people off the streets. "I think we could do with a million pounds or so here."

The city challenge area consists of a three-mile strip running parallel with the Tyne from the edge of the city centre. It has 35,000 residents. Unemployment is about 23 per cent but in many pockets is much higher. Only 14 per cent of the 15,500 households are owner-occupied. The comprehensive school serving the area has a truancy rate of 25 per cent and only 2.1 per cent of its pupils get five or more higher-grade GCSEs.

Even before the riots, the West End's social and economic ills deterred private-sector investment. Half the shop units in the privately owned Benwell Shopping Centre have never been let.

Curbs on local-government spending have taken their toll, too. This year Newcastle City Council is having to make savings on revenue spending in the city of £17m and is plan-



Hoping: Newcastle West End residents Arthur Keenan (left) and Danny Carrington

ning cuts of £15m in 1992-93. Social security changes have also cut local people's disposable income.

The city council, which budgets departmentally, is unable to give a total of public-sector money spent on projects in the West End in recent years.

The schemes, past and present, applied to it since 1981 include the urban programme, estates action, the urban development grant, city grant, housing action areas, general improvement areas, an enterprise zone, a development corporation, a multi-agency crime prevention initiative, The Newcastle Initiative (TNI) - the

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Deere ploughs on against the clock

Under the pressures of a slump in US demand for agricultural equipment since 1985, plus unprecedented competition at home and abroad, "much more far-reaching" ways of overcoming departmental barriers are now being tried at Deere.

The lessons which Dubuque has learned from the development of one of its latest products, the \$28,000 (\$21,839) yellow digger, are examined below. Harvester's experience, with plenty of trial and lots of error, culminating in last month's successful launch of an innovative new harvester, will be discussed next Monday.

Christopher Lorenz on how teamwork has transformed product development at the pioneering US company

Moving beyond "simultaneous engineering": (left to right) Roger Bridges, Gary Tindall and Ted Brakdenbach

UK CORPORATE CALENDAR

**Resort Hotels, The Morlok Resort Hotel,
140 Kings Road, Brighton, T100**
BOARD MEETINGS:
Flonster
Croston
Halehead (James)
Welsh Ind. Inv.
Interbeam
Bilton Percy
TRG
Scottish Television
Sarif Corvets
Company meetings are annual general

WEDNESDAY
OCTOBER 2

[illegible]

1991.9.30

■ New airport will end the relative isolation of the region Page 2

FINANCIAL TIMES SURVEY

HIROSHIMA

Monday September 30 1991

■ Ripples of the Tokyo securities scandals hit local exchange Page 4



The 1945 atom bomb attack made the city a universal peace symbol. Now, it is intent on becoming a high technology centre, while local officials are determined to deal with current economic challenges, such as a chronic labour shortage, writes Robert Thomson

In search of a broader role

THE REMINDERS of Hiroshima's tragic past are on display for all to see. Monuments to the victims of the atomic bomb blast 46 years ago are scattered through Peace Memorial Park, and the city has self-consciously named streets, buildings and festivals to emphasise its role as a centre for international peace.

While the city, and the prefecture of the same name, will always be associated with that terrible event, they are also a symbol of the future challenges facing regional Japan. Residents and officials have become a little uneasy with Hiroshima's role as a moss-gathering monument to peace, and sense that the region is falling under the long shadows cast by Osaka and Tokyo.

Local businesses are preoccupied by the need to secure a labour force and are contemplating investments in south-east Asia that would once have created new opportunities in Hiroshima. About a third of small retailers are unable to find a successor to lead their business into the next century, either because of the lack of an heir or a lack of interest among potential heirs.

Even its carefully cultivated image as a city of peace is

undergoing renovation. Over the years, the annual ceremonies and public statements have tended to separate the Hiroshima bombing from the Pacific war, while nationalistic groups have used the August anniversaries to further the myth that Japan was the "victim" and not the aggressor.

This year, for the first time, Mr Takashi Hiraoka, Hiroshima's mayor, told the annual gathering that Japan's wartime brutality in Asia and the Pacific must not be forgotten. That message is certain to be refined in the next few years, as Hiroshima will host the Asian Games in 1994, and is conscious that Japan's neighbours are unwilling to share in celebrating the "victim" myth.

Local people call Hiroshima the "ABC City". The "A" is for the atomic blast, "B" is for its status as a branch economy, as most government agencies and large companies have a branch in Hiroshima, and "C" is for the Hiroshima Corp, the loved but often beaten baseball team.

There is general agreement that due attention has been paid to A, and the fortunes of C have improved this year, but local officials are determined to maintain the branch economy status. They fear that the

spreading influence of Osaka, to the east, and of Fukuoka, to the west, is lessening Hiroshima's economic importance, and that some of those government or company branches could close their doors.

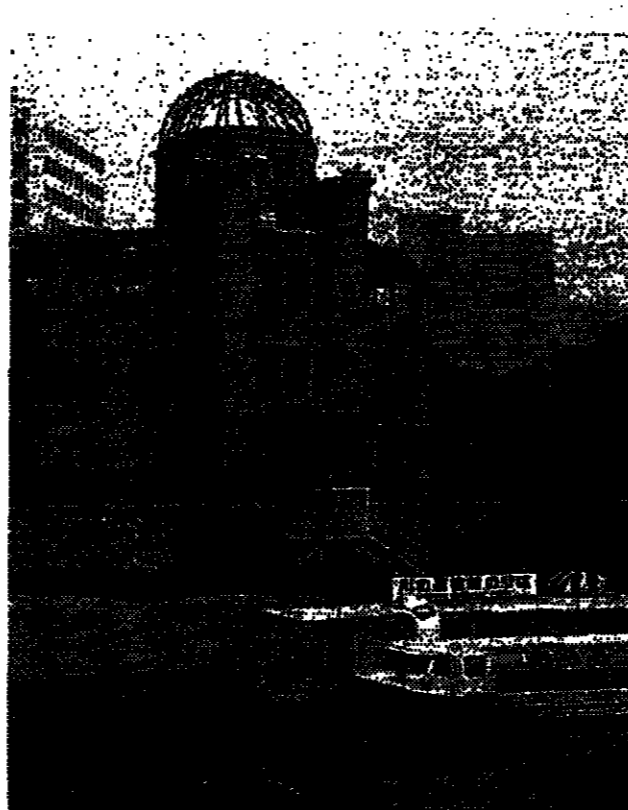
The city had hoped to benefit from the redistribution of government departments that was to accompany the decentralisation of Tokyo, the capital. But the gains have come slowly. After a decade of debate, the central bureaucracy has seen fit only to grant Hiroshima a 37-person department researching the fermentation of sake, Japan's rice alcohol.

Having won this small concession from the bureaucrats in Tokyo, Hiroshima officials recognise that they are responsible for renovating the economy and retooling an industrial base that has been in relative decline against the rest of the country since the oil shock of the early 1970s. Hiroshima has been dependent on steel production and shipbuilding, and the local economy continues to rely heavily on Mazda Motor, the car maker.

Mazda's output amounts to 17 per cent of all production in the prefecture, and 25 per cent if suppliers are included. But there is concern that the flow of Mazda money to the local economy will be increasingly diverted to plants in other prefectures and countries, as the difficulty of finding labour and the rising cost of production in Japan are good reasons for building factories elsewhere.

Currents in the flow of human resources are also a source of concern. A prefectural study found that 53 per cent of Hiroshima young people studying at universities outside the prefecture, whether it be in Tokyo or another city, do not return to Hiroshima. In response, the government has established an office to encourage what is called the U-turn, the return of qualified young people to Hiroshima.

Tokyo's bright lights continue to lure young people from most other areas of Japan, though Hiroshima feels vulnerable because it has been slow to develop an information centre that would offer graduates a greater variety of jobs and would contribute to revitalising the area's image as a heavy industrial centre.



The Atomic Bomb Dome in Hiroshima's Peace Park

It is also argued that a sophisticated information industry would ensure that local companies are well-equipped to compete in the national market, and would encourage outside companies to use Hiroshima's services.

There is a push to develop the computer software industry and a campaign to make Hiroshima a "convention centre", though the latter, like the vaguely-defined "design services", has become a fashionable goal among regional Japanese cities in recent years and competition is tough.

Slowing the momentum of Tokyo's growth as an information centre will not be easy, as the capital is reckoned to have 77.5 per cent of researchers, and 51.1 per cent of total workers in the information industry - Hiroshima is estimated to have a mere 1.2 per cent of those workers.

The strength of Tokyo has prompted Hiroshima and the

three other cities considered to be "branch economies", Sapporo and Sendai in the north, and Fukuoka, to consider a joint effort to win a greater share of central government functions and money. Representatives from the four cities met in Hiroshima in July, but there remain problems of balancing deeply-rooted local loyalties and the desire for a broader campaign for a redistribution of central influence.

Professor Shoichi Yamaoka, of Hiroshima University's economics faculty, says the get-together was important because it showed that the four centres shared an awareness of the need for action. "There has been so much talk about decentralisation, but the fact is that the reverse is true. We are continuing to see the centralisation of functions in Tokyo, and companies have to go there for information."

The prefecture has been pushing ahead with the devel-



Takeshita: "terrible damage"



Hirooka: brutal reminder

opment of infrastructure to ensure that physically, at least, it remains the centre of the regional transport network. A new airport is due to open in December 1993, and if the prefecture gets its way, will have a runway of 3,000 metres, making it the equal fourth largest in the country and capable of handling a larger range of international flights. Tokyo officials would like to limit the runway to 2,500 metres.

Congestion at Tokyo's international airport and delays in the construction of a new airport at Osaka have provided opportunities for regional areas to establish international air routes. A service between Seoul, the South Korean capital, and Hiroshima was launched in July, and it is expected that there will be an expansion of routes to south-east Asia countries, which have struggled for new landing slots in Tokyo.

Hosting the Asian Games

will also broaden the area's ties with other Asian countries. Hiroshima University is keen to attract students from other countries in the region. Having worked to become "international", Hiroshima is sensitive about foreign reaction to the spate of Japanese financial scandals. While the focus has generally been on Tokyo-based companies and the Tokyo stock exchange, there is disappointment that the stain has damaged the reputation of the country.

Mr Toranosuke Takeshita, the governor, says the scandals have done "terrible damage to our reputation", and have pulled domestic political debate away from proposed political reforms, which would lead to a liberal redrawing of the political map by creating smaller, single-seat constituencies for the national parliament.

He believes that restoring the reputation for fairness of Japan's financial industry should be a priority because trading partners may use the scandals as an excuse to block access to Hiroshima-made products. "We have a lot of foreign customers. About 22 per cent of our total production is exported."

The scandals also heightened the sense of injustice among smaller Japanese companies, which presumed that larger companies received more favourable financial treatment, but which have now had the hard evidence of this favouritism revealed at great length. It was a point of pride in Hiroshima that Mazda Motor was not on the list of famous names compensated by leading brokerages for their trading losses.

Small companies are all the more annoyed because of a perception that they bear an unfair financial burden arising from the excesses of larger companies, which used cheaply-raised funds to play the stock markets. The Bank of Japan pushed official discount rates higher to slow this speculation and to ease inflationary pressures arising from an overheated economy. A result of higher interest rates and of banks' concerns about their capital adequacy levels has been that smaller companies are paying more for funds that are more difficult to obtain.

IN THIS SURVEY

- The days of the small retailer may be numbered
- Who will benefit from political reform? ... Page 2
- Rice imports may soon be allowed, putting pressure on highly protected farmers
- Mazda is the city's largest employer. Will ties to its traditional base be weakened?
- The gradual transition to high technology light industries ... Page 3
- The 1994 Asian Games will be a big fillip to the area's tourist revenues
- Atom bomb's victims are commemorated at Peace Park - with Koreans on the periphery ... Page 4

Mr Osamu Hashiguchi, president of Hiroshima Bank and chairman of the Regional Banks' Association of Japan, says that "now is a tough time for all banks and we are trimming bonuses and salaries". But he emphasises that the economy is "generally strong".

Economic growth for this year is estimated at between 3.3 and 3.8 per cent, down from the 5.9 per cent of last year.

As for the A of Hiroshima's ABC, the mayor, Mr Hiraoka, is hoping that his speech recognising Japanese aggression will be a step on the way to a broader consideration of the atomic bomb and to the word "peace", much used as it is in the region.

"We decided in 1949 to make Hiroshima an international peace city. Now, we are studying that role," Mr Hiraoka says. His comments on August 6, expressing regret for Japanese aggression, took courage, as extreme right-wing groups have reacted violently against officials denigrating the military's wartime role and, in particular, highlighting the responsibility of Emperor Hirohito.

Mayor Hiraoka's comments were an indication of Hiroshima's development as a genuinely international city, conscious not only of injuries suffered, but also of injuries inflicted. It also reflected a more general willingness to transform a sometimes narrow view of the past into a broader vision of Hiroshima's role within Japan and in Asia.



HIROSHIMA BANK

The beautiful corner of the Hiroshima Shrine in Miyako, Hiroshima Island. The shrine was constructed in 1167 and is traditionally associated with the wondrous of Japan.

HIROSHIMA 2

Steven Butler sees a new airport take shape

Better links on way

ON TOP of the rugged mountains 50 kilometres to the north-east of Hiroshima city, dozens of giant trucks and excavators are busy at work reshaping the earth. For the past two years, in a scene of Stalinist proportions, they have been steadily chopping down the pine forests and bamboo groves that once covered the hills, hacking off the tops of the mountains and filling in the valleys.

In another year, the job of levelling will be done and concrete will be poured in. By the end of 1993 Hiroshima's new airport will be open for business. It is an event that seems certain to transform Hiroshima because it will end the relative isolation of the region. Combined with extensive road building and completion of the city's mass transit line, a significant restraint to regional development will be lifted.

Although it is a famous place - mainly for having been destroyed by an atomic bomb at the close of the Second World War - Hiroshima is hard to get to from outside Japan. It has an inadequate airport - a single landing strip with no parallel taxiway, 1,500 metres long and 150 metres wide. It is barely large enough to handle the A-300s and Boeing 763s that land there now, and even this is impossible when the weather deteriorates. Only international flights from nearby destinations such as Seoul are possible.

A traveller from the US must pass through highly congested Narita Airport, which serves Tokyo from a distance, and take the train to Hiroshima, or transfer to Hamada Airport for an internal flight. Osaka, however, has no connecting flights, forcing passengers to complete their travels by a rail journey of several hours.

The new airport will solve many, and perhaps all, of these problems. The go-ahead has been given for a 2,500 metre runway at the airport, and hopes are high that approval will be forthcoming from the Ministry of Transportation, which will own and operate the airport, to extend this to 3,000 metres. This would allow landings by long-range aircraft from the US, Europe or Singapore.

Given local traffic demands

and the congestion at Tokyo and Osaka in international traffic, Hiroshima could become an important regional hub. Strong interest has already been shown by international carriers. This would give Hiroshima the opportunity to expand on its already considerable international business ties which have been built principally through Mazda, with its link with Ford Motors, and Mitsubishi Heavy Industries.

The airport is being built at a total cost of ¥72bn (about \$310m), including an estimated ¥6bn for land purchases. The land acquisition cost is amazingly cheap for Japan, a result of having decided to build in an undeveloped mountain area, although airport officials admit there were a few "problems" convincing some local residents to vacate the land.

The airport has also not been without controversy. Aeroport de Paris lodged a complaint after its bid to design the terminal was rejected in favour of consortium that included Hiraata Matsuda Design, Create Yamamoto Design, and Austin Company, a US company. The French company complained that the procedure by which the winner was selected was unclear. It suspects a combination of US political pressure, and favouritism toward the Japanese participants, swung the deal unfairly away from it.

Bids for building the terminal, expected to cost between ¥10bn and ¥12bn, will be due in March or April next year, and will be open to international companies. Eventually, there will be more construction. Far more land will be used at the site than will be used by the airport proper. A hotel and leisure complex will be built and, it goes without saying, a golf course.

The new airport will be less than an hour from Hiroshima central by car, or by a combination of train and shuttle bus. Although the downtown airport is slated for closure, pressure is building up to keep it at least for shuttle flights to Tokyo. By the time the new airport is open, getting around the city itself should be a lot easier since the mass transit system currently under construction will be finished.

Traffic on the streets of Hiroshima is not too congested by Japanese standards for most of

the day. The crunch comes during the morning and evening rush hour. Over the years as the city has grown, residents have moved increasingly to suburban areas which tend to lie in valleys between the hills that surround the city. As a result, traffic is channelled into passes that create frightful bottlenecks during the rush hour.

The answer has been to build an 18.4km elevated light railway system, above a newly constructed highway, from the city centre in a broad semi-circle into one of the principal suburban areas. Plans for the line were extended to the athletic stadium for the Asian Games. Proposals are under consideration to complete the line into a circle, and to build other extensions and feeder routes.

Downtown, parts of the line will be underground. The line is being built at a cost of ¥100bn, two-thirds of which is supplied by the central government. Pricing money out of the central government for projects like this has become easier, says Mr Takeshi Komegami, a section chief in charge of urban transportation at the Hiroshima Prefecture construction bureau, following the US-Japan structural impediments talks.

Japan agreed at the talks to boost domestic demand by spending more money on public works projects. This has allowed money to be spent more quickly, and has sped up construction on certain parts of the line. It will not, however, result in an earlier completion of the line, as some parts of the construction timetable are not easily changed.

When the line is completed, Hiroshima will have to decide what to do with its antiquated streetcar system. Hiroshima has become something of a depository for old streetcars when other cities in Japan, and overseas, pave over the tracks to make way for faster buses and cars. The streetcars are slow, and can create traffic jams at intersections. On the other hand, they are very cheap to operate and they are clean. And it would be difficult to justify building a more intensive mass transit system unless traffic volumes grow beyond all current expectations.

THE fifth generation of a theatre-owning family, Mr Noboru Tsuji colours his conversation with appropriate theatrical gestures. These emphasise his opposition to US-inspired changes in Japanese laws that will speed approval for the development of new shopping complexes.

Mr Tsuji's Toyozu cinema is perched above a department store in downtown Hiroshima, but he fears that filmgoers, as well as shoppers, will be lured away to planned shopping centres on the fringe of the city. "The small store near these new centres will benefit, but the retailers here will suffer."

The change in retail development laws was a result of the Structural Impediments Initiative (SII), the US-Japan talks designed to reduce Japan's bilateral trade surplus by removing "structural" obstacles to imports. Obstacles cited by US negotiators included a convoluted distribution system and the protection of small retailers against new, large stores which the US presumed, would have more shelf space for foreign products.

In the past, approval for new complexes has taken a decade or more, and many planned developments were scrapped after failing to reach a compromise with existing retailers. Small retailers are a formidable lobby group in Japan, and had warned the ruling Liberal Democratic Party (LDP) that they would shift their support to opposition parties if reforms were introduced.

After making clear that small retailers would be compensated, the parliament last May passed the Large-Scale Retail Store Law, which forced local authorities to act on

MR Hiroshi Oyama is a politician who has a right to speak with self-confidence. Aged 72, he has been in politics for 50 years and has been head of the local prefectural organisation of the ruling Liberal Democratic Party for 40. "We worked very hard," is his understated response to why the LDP did so well in the last election.

There was clearly more to it than that. In local elections in April the Hiroshima Prefecture LDP trounced the opposition as never before. Out of 69 seats in the prefectural assembly, Mr Oyama's party won 43. This was in part a backlash from the "disappointing" results four years previously, when the LDP was under a cloud because of popular opposition to the (then proposed and now enacted) consumption tax.

RETAILING

The last picture shows



The amusement arcade in the Alpark shopping complex

development plans within a year. Controversy has already been stirred by the plans of Toys R Us, the US toy store chain, open complexes in provincial Japan.

Hiroshima retailers are still waiting for a symbolic fight against a foreign retailer or an out-of-town Japanese company with ambitions to move in on their territory. The complexes already on the drawing board have been there for up to a decade, and are being developed by local department store chains which are conscious of the need to keep small retailers happy.

But Mr Tsuji and other small shopkeepers fear that a complex called Alpark on the outskirts of the city could be the beginning of the end for downtown retailers. Alpark has two large retailers, Hiroden and Tenmaya, 180 speciality stores, and a few crowd-drawing gimmicks, including the clever Acqua Avenue, a cave-like aquarium that leads customers into the complex.

Alpark was opened a year ago, but the spread of sales has not gone according to the two large stores' plans. Their sales were 10-15 per cent below expectations, while those of the small retailers, on average, were about 40 per cent more than expected.

Mr Sugayuki Ishizaki, Hiroden's head of planning, says his store's difficulties have been heightened by a 30 per cent increase in wages for

part-time staff, a result of Japan's labour shortage, and by higher interest rates: "When we started planning six years ago, interest rates were at 3 per cent, and now they are 7 per cent."

Tokyo has set aside ¥162bn to "encourage" small retailers, who see the cash as compensation for the new legislation. The money is intended to be used for the renovation of pavements, the improvement of shopping arcades, and to assist in the funding of events designed to attract attention to small retailers.

A street festival organised by 20 small retailers not far from Alpark received ¥500,000 in government assistance, with part coming from local authorities and part from the central government fund. The money

went to hire an "idol", a reputedly cute young pop singer, and a rock band with "beautiful girls", the publicity sheet boasted.

According to a store owner in the area, the festival was a success, but the time taken up in paperwork for government financial assistance was cumbersome. "The spectators at the festival bought a lot of things. We had different kinds of people come, and it helped our reputation." But he remains unsatisfied, claiming that Alpark has resulted in a 20-30 per cent fall in sales among the group.

"I don't like the look of the future. In five years' time, the small retailers could be eaten by the big. We have an important role in people's daily life. We are convenient suppliers of

daily items and we play an important role in keeping neighbourhoods safe by keeping an eye on who is passing by," he says.

Another serious threat to small retailers is the shortage of successors to keep family businesses alive. Mr Minoru Tabata, managing director of the Hiroshima Small Shopkeepers' Association, says that a third of all small family businesses could fold because the proprietors' children are not interested in carrying on the tradition.

He says that potential successors are wary of dirty and difficult work, and would prefer an office job or, perhaps, to move to Osaka and Tokyo. The labour shortage has given young Japanese more job options, and there is no longer the same sense of obligation to continue the running of a family business.

Mr Tsuji of the Toyozu cinema has that problem. He is likely to be the last of his line to run theatres. He has no male heirs, and he thinks that the business "too difficult" for his two daughters to run. His family originally operated kabuki theatres, and by the 1940s, controlled 15 cinemas. Now only one remains, and that is supported by the land rent paid by the department store downstairs.

"It's very sad to see old family businesses falling into disrepair. Couples like their 70s and 80s don't have the energy to maintain their shops and they are not looking to the future, so they don't invest money in renovating rundown stores. They are just concerned about making enough to survive."

Robert Thomson

POLITICS

Prospects for reform

At that time the LDP took only 49 seats in Hiroshima. Japanese politicians, it would appear, judge success by a different standard from the rest. In the security of his position Mr Oyama is unexercised by some of the key political debates of the day.

"Every party understands that political reform is necessary," he says, referring to efforts by the LDP national leadership to reform the election system. "The major issue is how to have politics without money."

However, Mr Oyama says

that sending gifts and telegrams to constituents at important events is a long-ingrained habit that will not end just by instituting a small, single member district system for election to the national diet to replace Japan's single vote, multiple member district system.

Mr Toshihiro Kanbara, secretary-general of the Hiroshima Prefecture branch of the Japan Socialist Party, the main opposition party, gets rather more excited about the prospects for political reform. He says: "They (the ruling party)

were supposed to resolve the problem of politics and money, but they did not resolve it and instead are talking about political reform."

"We are concerned that the LDP is trying to use the issue of reform to monopolise the Japanese political system."

Mr Kanbara and his colleagues worry that under a single member district system, the JSP would lose many of the seats it now wins when its candidates come in third, or even fourth, in elections for the national diet. They have enough trouble keeping the

JSP's head above water as it is. Compared to the LDP's local comeback in prefectural elections this year, the JSP's seat total declined from a paltry 10 to a mere eight.

The JSP secretary-general blames the result in part on the ruling party's superior access to money. He says the prefectural branch has a special role to play in Hiroshima as the local party with a foreign policy - to keep alive the memory of the atom bomb and to oppose testing of nuclear weapons.

Mr Kanbara wants Hiroshima to be declared a nuclear-free zone. He is convinced that the people of the prefecture support this, even if they do not vote that way.

Steven Butler

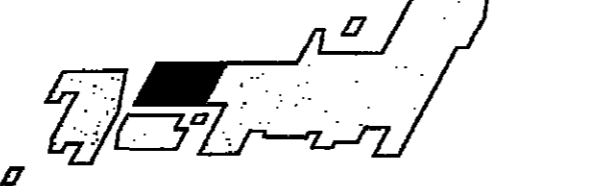
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HIROSHIMA 3

AGRICULTURE

Shadow over the rice fields

Nabuo Nagao, a rice and broom farmer who lives to west of Hiroshima city, almost a third of his income from a local government job. But what is unusual is much, rather than how Mr Nagao is dependent on land.

More than other Japanese districts, Hiroshima district, which also takes in surrounding countryside, has seen a steady reduction in rice as a proportion of income. Only 6,000 of the 100,000 are there depend on agriculture alone, while, on average, only 7 per cent of farmers' income comes from farming, compared with the national average of 15 per cent. It is the lowest proportion of prefecture in Japan.

It is despite this, the numerical challenges which are coming from the demographics of an ageing population to market agriculture, are of real concern to the people and government of the prefecture.

Most one-seventh of its population live in rural areas, where agricultural income amounts to about ¥140bn a year.

When we compare ourselves with other prefectures, the situation is not so different, says Mr Michio Nakai, chief of agricultural policy in the prefectural government. "But there is still an urgent need for restructuring and it is an emotive issue," he says.

The most sensitive aspect of restructuring is the opening of new markets and highly valued products. In particular, the government in Tokyo is on the verge of

allowing imports of rice, by far the most controversial element of agricultural liberalisation.

Resistance to the move has been strong. Farmers and local politicians regard the removal of 5 per cent opening of the market as the beginning of a slippery slope which will lead to substantial market access for foreigners. In defence of their case, they present an array of arguments ranging from food security to the importance of rice farming in Japanese traditional culture.

But for many farmers there is a sense that market opening is inevitable. "My heart is against liberalisation," says Mr Nagao. "But when you look at the world and you look at the Japanese situation, I believe that we cannot avoid it."

The task now, both for farmers and local government officials, is to prepare for a more competitive environment. This means diversifying into new products and increasing the efficiency of local production.

Rice is still the dominant agricultural product in the prefecture: 32,000 of the area's 70,000 hectares of farming land are paddy fields. Income from rice amounts to ¥52bn, compared with ¥14bn for fruit and ¥18bn for vegetables.

To reduce the dominance of rice production and to encourage agricultural diversification, the government is urging farmers to convert one-third of their paddy fields to new products. Since 1978, according to the farmers' union in Hiroshima, about 14,000 hectares of paddy fields have been converted. Mr Nakai, at the prefectural office, reports that grapes and orchids, to aubergines and grapefruit, are now being grown in Hiroshima.



Farmer Nagao: "Unavoidable"

But the task is not easy. Changing the ways of farmers is difficult in any country and is further complicated by social patterns in Japanese agriculture. Rice-farming is regarded as important in maintaining Shuraku - groups of households which form farming co-operatives particularly in the remote areas of the prefecture.

Moreover, farmers' representatives argue that there are

limits to the amount of land which can be converted. "It is not so easy to change rice-farming land to other uses," says Mr Furukawa of the Central Hiroshima's Farmers' Union. He adds that the compensation offered by the government - between ¥15,000 and ¥25,000 for every 100 square metres converted - is inadequate.

The government is also trying to increase the efficiency of existing production. Low interest loans are available to buy land and farm machinery. Currently, the average farm size in Hiroshima is a mere 0.73 hectares - a fifth of the size of the average British farm and little more than the size of a backyard in US and Australian counterparts.

Again rural government officials report progress. But the price of real estate and the reluctance of members of the rural community to part with land which has often been passed down through several generations is limiting the success of the policy.

The underlying problem is the teaching of new tricks to old farmers. Young Japanese continue to leave the countryside for more attractive jobs in the city. Mr Nagao's son - a typical example - works for a company in Hiroshima and puts in only two or three days' work on the farm every year.

Off the race track, the going is not so easy. Like all Japanese automobile manufacturers, Mazda is currently facing a slowdown in sales and a fall in profits after four consecutive years of impressive progress.

John Ridding

John Ridding profiles the city's biggest employer

Mazda in the fast lane

WHEN A Mazda car pulled past its Mercedes and Jaguar rivals to take the chequered flag in the 24-hour Le Mans race earlier this year, there were loud cheers from the people of Hiroshima.

The company, the country's fourth largest automobile manufacturer, is by some distance the city's largest employer. Its victory - the first by a Japanese car maker - prompted celebrations well beyond its giant dockside headquarters.

The celebrations bear testament to Mazda's close relationship with the city. The company represents about 17 per cent of industrial production in Hiroshima prefecture, and 25 per cent if group suppliers are included. The success of Hiroshima and its environs are thus bound up with the success of its car company.

Off the race track, the going is not so easy. Like all Japanese automobile manufacturers, Mazda is currently facing a slowdown in sales and a fall in profits after four consecutive years of impressive progress.

The downturn is the result of recession in overseas markets and a cooling of the Japanese consumer boom. But Mazda is coping better than most of its Japanese, and virtually all of its international, competitors in responding to the more difficult environment. Its business strategy should position it well for the next stage of expansion.

Part of the company's strategy is to move its products upmarket. With its new models, as at Le Mans, Mazda has been closing the gap on the top European and US producers. Although its cars are not yet the equal of top-of-the-range Mercedes and BMWs they are looming ever larger in rivals' rear view mirrors.

The policy of moving upmarket, manifest in the stylish new Sentia model, has been prompted by several factors. On the one hand, the company is aiming to accommodate Mazda owners as they graduate from its entry-level and low cost models. At the same time, cost pressures and competition from cheaper producers overseas has encouraged a move to higher value-added vehicles and raised profit margins.

But the introduction of more luxurious vehicles, which will be taken a step further with the unveiling of new vehicles at the Tokyo Motor Show next month, is only one part of a three-pronged strategy.

The company is also seeking to exploit niche markets. "We are a medium-sized company and that brings us advantages which are not available to giants like GM or Toyota," says one executive. "In particular, it allows us to be flexible and to exploit various niches in the industry."

One of the most successful cases has been the Miata, a two-seater convertible sports

car which was introduced at the end of last year. The MPV, something between a jeep and a van, has also been a success. The development of such vehicles has been made possible by a change in the way Mazda makes decisions on new products. In 1987 the power to decide which cars to launch was shifted from the relatively conservative marketing department to the company's product planning department.

In essence this involved a shift in philosophy from introducing vehicles which satisfied existing consumer demands to those which shaped and created new tastes. "The change

A shift from vehicles which satisfy existing consumer demands to those which shape and create new tastes

is what lies behind the Miata and the MPV," says one company official. "Without it they probably wouldn't have been launched."

But a company such as Mazda cannot live on niches alone. Most of the cars which roll off the Hiroshima production line at the rate of one every 54 seconds are still the 121s, 323s, and 626s which the company describes as its "bread and butter". Maintaining such a solid base of mainstream vehicles is the third prong of the company's design and production strategies.

There has also been new thinking on the company's approach to marketing. Mazda now has five sales channels, each aimed at a segment of its customer base. They are designed to replace Japan's traditional door-to-door sales system through the installation of attractive showrooms.

The success of the new policies is not immediately apparent in the statistics. Mazda's production and domestic sales are down slightly in the first six months of this year, and profits are forecast to fall from ¥49.1bn to ¥35bn for fiscal 1992 as a whole.

But the decline in sales is an industry-wide phenomenon, with other manufacturers worse affected, and is expected to reverse towards the end of this year. The decline in profits is attributable to the increase in depreciation costs resulting

from ambitious capital expenditure over the last few years. Nonetheless, there are longer term, more substantial problems facing Mazda and the rest of the Japanese motor industry. An acute labour shortage is making it harder to recruit the workers and engineers which Mazda needs and is forcing employment costs upwards. As the company has to offer higher salaries to new recruits, so it has to adjust the pay of previously employed workers.

The company's traditional response has been to automate. But a tour of even the oldest production lines at Hiroshima suggests there may be little more to be squeezed from the introduction of more robots. So now the solution is seen partly in new production sites.

One of them is the company's factory in the neighbouring Yamaguchi prefecture. The decision to extend production facilities there reflected, among other things, the greater availability of labour.

A second problem, common to the other Japanese car makers, is the threat of protectionist sentiment in overseas markets. The big three US producers have accused Mazda of dumping mini-vans and are wary of the expanding share of Japanese cars at a time when the overall market is shrinking. The EC will maintain tough restrictions on Japanese car imports after 1992.

To circumvent such disputes, Mazda's policy has been to localise production. Its factory in Flat Rock, Michigan, produces 164,000 vehicles a year and satisfies most of the US demand for the 626, Mazda's best-selling car in that market. Mazda is also negotiating with Ford, which holds almost 25 per cent of its shares, to set up a factory in Europe.

Relocation of production, both in and outside Japan, seems to imply a weakening of Mazda's ties with its traditional base in Hiroshima. But company officials try to refute that. "This will always be our most important production site," says a company official. "We built more than 1.2m vehicles here last year."

For a long time to come, therefore, the loudest applause for a Mazda race victory is likely to be heard in Hiroshima port.

HIGH TECHNOLOGY

A change of gears

HIROSHIMA PREFECTURE, where the economy has for years been dominated by the building and automobile sectors, is making a successful bid to induce high-value added, high technology light industries.

A change of gears is a necessity as much as anything else. Hiroshima is the expanse of flat land for the development of large-scale metal finishing assembly plants. And the plan is concentrated to a point that highly-polluting metal industries have shied to expand. Fresh air supply for industry is a potential problem.

The transition has been a difficult one. Sharp, the Otsuka company, was one of the first electronic companies to set up in the area in

1984 with its audio research headquarters. By 1988 electronics had become the fifth largest industry, displacing the chemical industry, and falling into line after transportation machinery, steel, general machinery and food.

The government has since acted to speed the transition. In the midst of farmland on the outskirts of East Hiroshima City a 20-hectare tract of land has been cleared and is ready for the builders. Though Hiroshima's new science park is still empty, nearly all the plots

of land have been taken. In a few years it will be a hive of activity.

Not all the future occupants of the park will be high technology companies. In 1994, for example, the National Tax Office Brewing Laboratory from the national government, which tests alcoholic beverages, will move from several locations scattered around Tokyo to a single site at the Hiroshima park. The move is part of a drive to reduce the concentration of government services in Tokyo. And locat-

ing in Hiroshima makes sense because of a large and famous local sake industry.

The big "catch" for the science park is Matsushita Electric, Matsushita, the largest consumer electronics company in the world, will set up a research facility, to be opened in 1996, to conduct research into the use of computers in home appliances. Other occupants for the park will include the Technology Research Institute for Chugoku Electric Power, the regional electricity utility, and a joint public-private venture called Techno Plaza, aimed at providing space for small and medium-sized high tech companies.

Outside the park, Dai Nippon Printing, Japan's largest printing company, last year decided to build a plant in Hiroshima to produce large-scale television projection display screens.

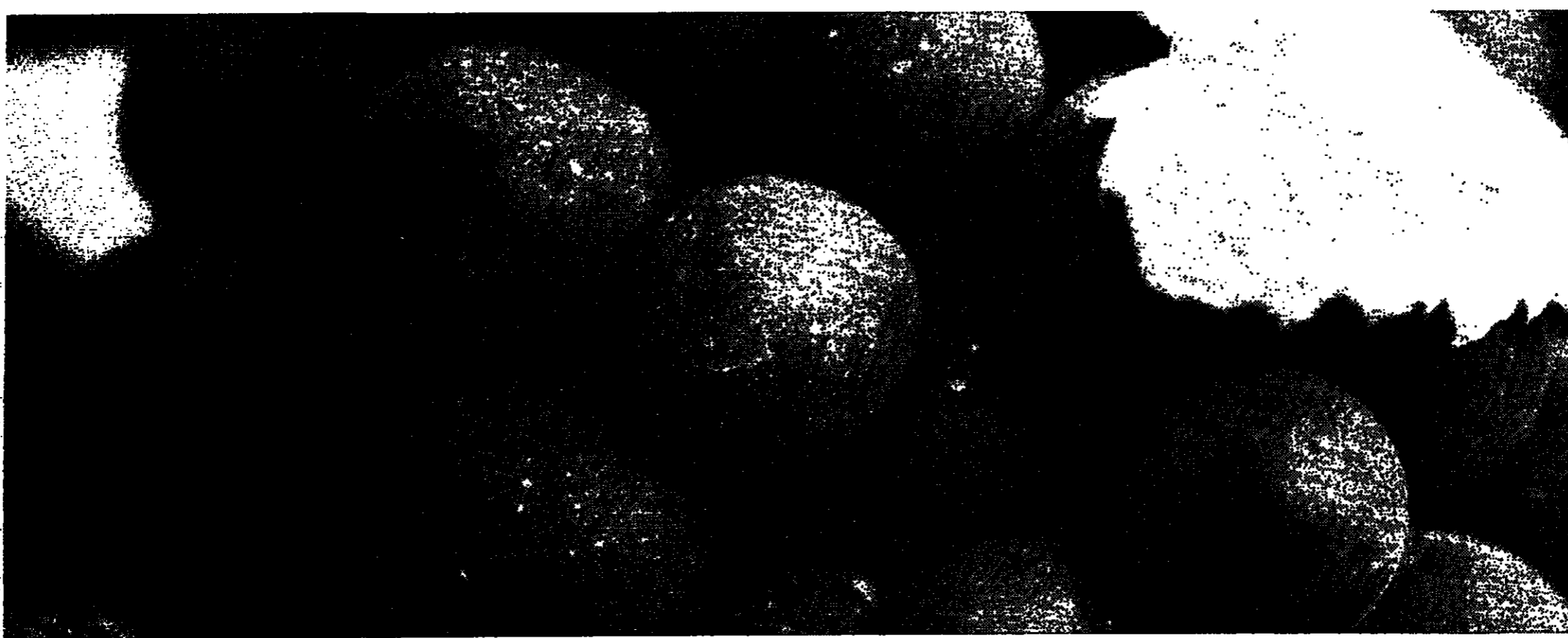
In 1990 NEC, the world's largest semiconductor manufacturer, established a facility for large-scale integrated circuits. It would be wrong to suggest that Hiroshima is about to take the lead in the Japanese electronics industry or that this has become a dominant force in the economy. In the last five years, 20 electronics and precision machinery companies have set up shop, compared with 70 metallurgical companies and 69 general machinery companies. However, a suc-

cessful new industry has taken root in Hiroshima and local officials are doing their best to promote the area's strengths.

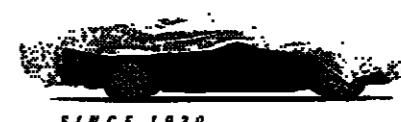
These, they argue, include relatively cheap land, an improving transportation system, and proximity to a quality university. The campus of Hiroshima University is moving gradually to a greenfield site out of the city centre in East Hiroshima, not far from the science park.

The natural environment and recreational spaces of Hiroshima are vastly superior to Tokyo. Persuading more young people of the virtues of living in a provincial city is an important key to solving a problem that is as severe in Japan: the shortage of labour.

Steven Butler



The seed of a grape is a promise that man cultivates with a passion. This passion is the reflection of an intense relationship between not just man's skill and knowledge, but years of toil and nature. A great wine is the embodiment of many generations of such efforts. It is the realisation of a dream. In 1931 Kijuro Matsuda realised a dream by creating a three-wheel truck that revolutionized transport and everyday life in the whole of Japan. His passion was nurtured and cultivated by his work and the work of successive generations. And today, it lives on through a company which designs cars for the whole world. This company is Mazda.



On the road to civilization. **Mazda**

HIROSHIMA 4

Tokyo's scandals hit local stock exchange

A loss of confidence

MOST of the action in Japan's securities scandals has been in Tokyo, but regional financial institutions are concerned that their customers may have developed doubts about the fairness of the financial system.

At the Hiroshima Stock Exchange, trading volume has been almost 40 per cent lower than last year. Local banks such as the Hiroshima-Sogo Bank, have felt the anger of their small and medium-sized corporate customers, who have not been given the favoured treatment accorded to leading industrial corporations by Japanese brokerages.

Mr Kodiro Shinohara, chairman of the Hiroshima-Sogo Bank, says that the scandals are a "terrible thing", and that he feels uncomfortable to be a member of the same financial world. He suggests that "foreigners must think our system is very strange".

Smaller banks are under similar financial pressures to larger Japanese banks, which have slowed asset growth as part of their attempts to meet international capital adequacy standards and have seen the value of their substantial stock holdings eroded by the fall in the Tokyo market.

Mr Shinohara says that Hiroshima-Sogo's asset growth has been closely checked over the past year and conditions are still difficult. "We emphasise the quality of growth and not the quantity. Our clients are smaller, local companies and we are attempting to ensure our future by targeting the next generation of Hiroshima investors and educating them about our bank's services."

Cultivating customer loyalty has become a priority for local banks with the onset of Japanese interest rate deregulation, which is due to be completed in 1994, and is expected to give the large commercial banks an advantage over their smaller regional competitors.

Mr Osamu Hashiguchi, president of Hiroshima Bank and chairman of the Regional Banks' Association of Japan, says that his institution is "confident that it can compete". He hopes that financial reform will include permission for banks to enter the securities business, a proposal now under consideration by the

Japanese government.

"We have 169 offices in Hiroshima prefecture, which the big Tokyo banks cannot match. We should be able to cope with any challenge," says Mr Hashiguchi, who is a former chairman of Japan's Fair Trade Commission, the Tokyo-based anti-monopoly body, and is currently chairman of the Hiroshima Chamber of Commerce and Industry.

A sharp fall in land prices is one challenge that Japanese banks would not welcome. Prices in Tokyo and Osaka, the two largest cities, have been uneven, with a 20 per cent fall in condominium prices in some areas, and concerns that commercial prices will turn down.

Mr Hashiguchi says that land price instability is "basically a problem for the metropolitan areas", and that the Hiroshima property market has been helped by the anticipated rush of development works in advance of the 1994 Asian Games.

The Bank of Japan and the Ministry of Finance have directed banks to limit their exposure to the property market and to be cautious in the use of stocks as collateral. Such central directives are delivered at the local level through contact, for example, between Hiroshima branch officials of the central bank and executives at Hiroshima-Sogo.

Mr Shinohara says that his bank has "a close relationship" with the Bank of Japan, and prepares a planning report every six months and "receives guidance" from central bank officials. The securities scandal has raised questions about the use of administrative guidance in Japan, and the finance ministry has accepted that the system needs to be made more transparent.

The Bank of Japan announced in late June that it would no longer issue quarterly targets for bank lending growth, ending what is known as "window guidance". Mr Shinohara points out that window guidance has never been very strict, and that the central bank generally had confidence in the level of financial discipline of local banks.

Financial discipline in the securities industry is a different question. Mr Shinohara

says that his bank's clients, mostly smaller and medium-sized companies, have generally not played the stock market as means of raising finance, as have many larger industrial companies. "Stock speculation was part of a period of unreal growth and created a bubble economy."

The Bank of Japan attempted to squeeze air out of that "bubble" by lifting official interest rates, which has put pressure on highly-gearred speculative companies and taken some heat from the stock market. Hiroshima Stock Exchange officials have felt the difference, even though their exchange is Japan's smallest by trading volume.

Apart from the main Tokyo exchange, there are seven Japanese exchanges, with the smaller institutions, such as Hiroshima, offering a few locally-listed stocks and the opportunity to trade in certain stocks listed on the larger exchanges. Hiroshima handles 196 stocks, of which 187 are listed elsewhere and nine are unique to the exchange.

Mr Hiroshi Shiki, Hiroshima's director of listings, has a deep sense of regional responsibility. "Our mission is to assist local companies. We can contribute to the revitalisation of the area by helping companies to raise funds."

The Hiroshima exchange traces its history back to 1755 and a dealing house for rice and cotton. Later this year, the exchange is scheduled to move into a new, 7800m building that will provide higher technology links to the main exchanges and a large library for local clients.

Exchange officials are hoping to encourage more local companies to list, and a recent survey found about 70 were interested. But there are now concerns that some of those companies and some of the potential investors will be scared away by the scandals in Tokyo.

Mr Shiki says that the most obvious effect of the scandals in Hiroshima has been on share trading volume. "The number of buy and sell orders has greatly decreased. Generally speaking, ordinary customers have lost confidence."

Robert Thomson

EVERY year more people than live in Australia travel to Hiroshima prefecture for sight-seeing and other tourist activities. In so doing, the visitors generate total revenues of ¥185.7bn (\$1.3bn).

For an area best known for the atomic bombing of 1945 and its subsequent regeneration into one of Japan's major industrial centres, tourism in Hiroshima is perhaps a surprisingly big business. The city and prefectural government are working on plans to make it even bigger.

In so doing, they must strike a careful balance. The memory of the atomic bomb remains a highly emotive issue and Hiroshima is determined to maintain its image as a city of peace. At the same time, government officials want to develop new attractions to draw the growing number of Japanese holidaymakers and visitors from overseas.

This balance can be difficult. "We don't want to put the image of the atom bomb to tourists," says Mr Hiroshi Isaka, director of the tourism division at the city government. "It would be insensitive to survivors of the bomb." At the same time, new projects such as riverboat cruises have aroused controversy because of painful memories of the river after the bombing.

Nonetheless, the first nuclear explosion in anger is what continues to draw most visitors to Hiroshima. The city's Peace Park has many

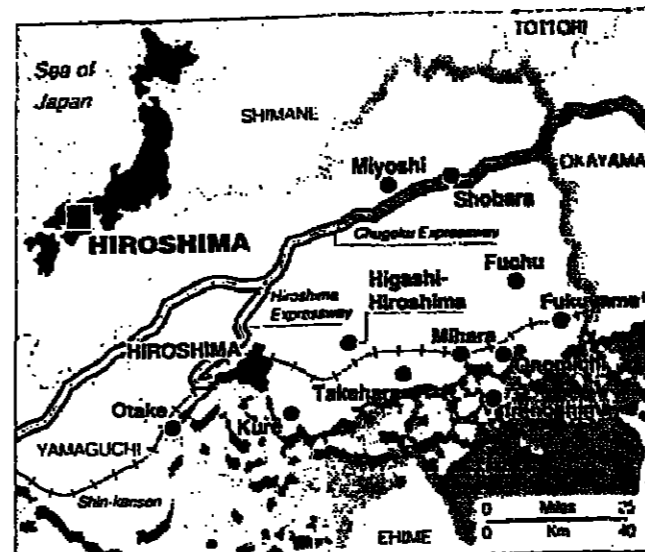
EACH YEAR on August 6 thousands of Japanese and international visitors gather in Hiroshima's Peace Park to commemorate the dead. They mourn and pray for the souls of the many thousands who died following the American attack on Hiroshima with an atomic bomb on August 6, 1945. It is a moving historical commemoration that is, nonetheless, laden with contemporary meaning and continuing controversy.

It is not just the dropping of the bomb that remains controversial, but also Japan's broader role in the Pacific War. With Hiroshima hosting the Asian Games in 1994, it is more important than ever that Hiroshima, if not all of Japan, comes to terms with a past that it often prefers not to think about.

The attack on Hiroshima was the first time an atomic bomb had been used in warfare. The second and last attack took place a few days later at Nagasaki.

John Ridding on the growing tourist industry

Draw of the games



monuments to the victims of the bomb. Several peace festivals during the year draw large numbers both from Japan and overseas.

Increasingly, however, visitors are travelling to see the scenic attractions of Hiroshima prefecture and to special events and festivals which draw them from Tokyo, Osaka and other population centres.

These domestic tourists dominate Hiroshima's tourist industry. Of the 18m people who visited the prefecture for tourism last year, all but 250,000 were Japanese from other areas. This type of tourist has also seen the strongest growth over the last five years.

"We Japanese are not the workaholics which you think we are," says Mr Akio Aoki, a manager at the Nihon Tourist Company. "More and more people are travelling around the country on holiday or for leisure activities such as skiing, hiking or camping."

On many of these counts, Hiroshima scores highly. It boasts a number of ski resorts and golf courses, attractive countryside and the Seto Inland Sea, one of the most beautiful stretches of coastline in Japan.

In an attempt to capitalise on the trend towards health and sporting holidays Hiroshima is developing its golf courses, hiking routes and camping areas. A more curious attraction is New Zealand Village, a joint public sector-private sector project which has reconstructed a typical Antipodean village aimed at demonstrating the healthy life enjoyed down under.

But despite such efforts, the first stop for Japanese tourists continues to be the historic cities of Kyoto or Nara. "I must admit, Hiroshima is not at the top of the list," says Mr Aoki, who gives its lack of historic buildings and monuments as the main reason.

So for Hiroshima, the task is to keep coming up with events or spectacles to draw visitors to the region. In this respect

there has been a fair degree of success.

In 1989, The Sea and Land Exposition which promoted the attractive scenery of Japan's Inland Sea, drew just under 8m visitors. Every year the city of Hiroshima holds a flower festival, to coincide with the time when most Japanese people take their annual vacation.

The result has been a steady increase in tourist numbers. Japanese visitors, including those travelling within Hiroshima prefecture for tourist activities, rose from 27.9m in 1985 to 31.6m last year.

A series of future crowd-pullers are also planned. By far the biggest is the 1994 Asian Games to be held in Hiroshima. "We think that the games will really put us on the map," says an official at the prefecture office.

The Asian Games, it is hoped, will also increase the number of foreign visitors coming to Hiroshima. A new airport is being built, one hour's drive east of the city, which will be able to handle international flights. Officials from the prefecture's tourist office have been visiting neighbouring countries promoting the attractions of the region.

For the foreseeable future, however, it will be domestic travellers who will keep Hiroshima's tourist revenues flowing. And as the trend to travel and play more continues to take hold among Japanese people, so Hiroshima's tourist industry is set to expand.

PEACE PARK

Lessons of the past

The bomb that exploded high over Hiroshima at 8:15 in the morning destroyed the city almost completely by the force of the blast and the fire that raged afterwards. The blast directly caused the death of about 144,000 people by the end of the year.

The Peace Park, with the eerie atomic dome - the remaining steel structure that supported a domed building - was at the centre of the attack. The annual memorial in the park is a sombre ecumenical ceremony in which participants are united by one view: that the bombing of Hiroshima was a terrible tragedy that should not be repeated.

Yet beyond this, the bombing is an ambiguous symbol

and an enduring source of debate. Last month the Hiroshima Memorial Peace Museum, located in the park, reopened with newly-reinstated galleries. The aim of the reconstruction was to make this record of the results of the blast more vivid, especially to young people.

The hallway into the display is a reconstruction of broken brick buildings. Inside, wax figures with burnt skin and tattered clothing wander barefoot amid burning buildings and debris. The story of the blast is made more personal by showing burnt toys, a lunch box and clothing, along with the story of the original owners who died.

Large video displays show

films of the destroyed city taken by the US army after the blast. Yet the displays are strangely devoid of both historical and social context.

A visitor who knew nothing else of the war would almost certainly conclude that Japan was merely an innocent victim of this terrible attack. Nowhere is there a clue that the bombing of Hiroshima, which may indeed have been indefensible and mistaken on all sorts of grounds, came after a series of aggressive and brutal attacks by Japan on nearly all its neighbours and finally on the US itself.

Koreans and others who suffered in the blast are mentioned in the final panel of the exhibition, but efforts by

Koreans to have relics of their suffering put into the display were spurned. A memorial to the Korean victims has been consigned to the periphery of the park.

It is the apparent unwillingness of the Japanese to look squarely at the historical record that makes many of their neighbours nervous about a country that plays such a big economic, political and military role regionally.

For Hiroshima, the symbolism of what the bombing of the city really means has become a more urgent issue because it will host the Asian Games in 1994.

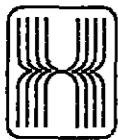
So it was a significant step when at this year's ceremony to commemorate the tragedy of Hiroshima, Mayor Takamasa Maki asked for the first time apologised for the suffering that Japan inflicted on the rest of Asia during the Second World War. It was, at least, a start toward mending old wounds.

Steven Butler

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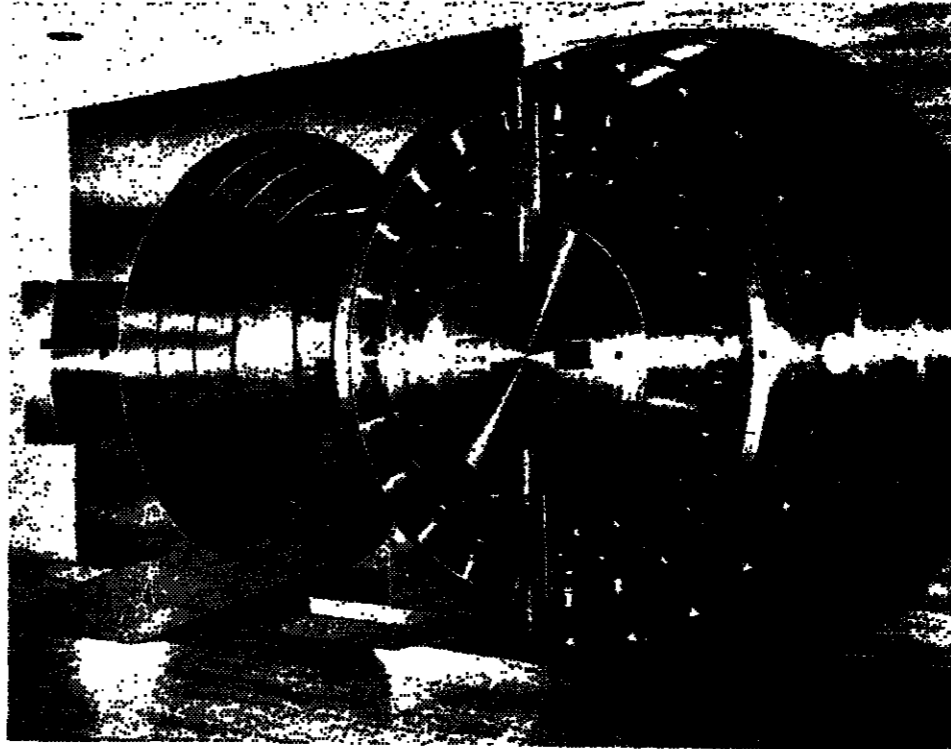
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Monday September 30 1991

Bush's bold arms plan

THE US president's latest nuclear arms initiative has rightly been hailed as one of the most far-reaching contributions to reducing the risk of nuclear war since the beginning of US-Soviet arms control negotiations. But there is a risk that its shock to a few people expected another big nuclear arms control push so soon after the signature of the Strategic Arms Reduction Treaty last July - will lead people to draw wrong conclusions. While it is certainly aimed at further sharp cuts in nuclear arsenals, it will not rid the world of all nuclear weapons.

Indeed, its merits are that it avoids the leap to the dark which former US President Ronald Reagan offered to make at his notorious Reykjavik summit in 1986 with Mr Mikhail Gorbachev, when he proposed the complete abolition of nuclear weapons. At that time, he was restrained by Washington's European NATO partners - not least Mrs Margaret Thatcher - from taking a step which would have left Europe dangerously exposed to a Soviet conventional attack.

Since then, the international political and military environment has changed radically. Last year's treaty cutting conventional forces in Europe, Moscow's withdrawal from eastern Europe and the progressive disintegration of the Soviet Union, have virtually eliminated the danger of a conventional Soviet attack in Europe. Yet the chaos and insecurity that the political upheavals in the Soviet Union and Yugoslavia have brought in their wake, coupled with the outbreak of unpredictable regional crises such as the Gulf conflict, have alerted the US and its western allies to the need to maintain credible, if reduced, defences. It is the nuclear deterrent, after all, which has prevented serious conflicts in Europe over the past 45 years.

Superb timing

The timing of Mr Bush's initiative and the political judgement on which it is based could not have been better. As he said in his speech on Friday, there was now an unparalleled opportunity to change what he called "the nuclear posture" of both the US and the Soviet Union. The Start treaty provides for a reduction of no more than 25 to 30 per cent of both countries' strategic arsenals. Yet the Soviet Union's economic reform plans require the conversion of its overblown and costly military industry into factories producing

much-needed goods for a peace-time economy.

Mr Bush also had to take into account the nuclear security problem caused by the imminent break-up of the Soviet Union into independent republics. Mutual nuclear deterrence has been based on confident predictions of the other side's behaviour in a crisis. But in the absence of centralised control of nuclear weapons - Belorussia and Kazakhstan have already shown themselves extremely reluctant to transfer their missiles to Russia - such predictions become extremely uncertain and hazardous. Better, therefore, to strike while the iron is hot and there is still a good chance of negotiating a nuclear arms agreement with the central Soviet government under Mr Mikhail Gorbachev.

US sweeteners

The sweeteners to such an agreement offered by Mr Bush are substantial. Though the withdrawal of tactical nuclear weapons from Europe and other locations has been foreseen for a long time in NATO strategy, the decision to eliminate all nuclear cruise missiles from US warships is a real concession to the Soviet Union. During the Gulf war, Moscow had expressed deep concern that warships carrying these missiles, which are very difficult to detect, had come within range of Soviet territory.

Yet a much more difficult prospect is the abolition by both sides of all land-based intercontinental ballistic missiles with multiple warheads, as proposed by Mr Bush. Since this proposal is not matched by an offer to scrap submarine-launched ballistic missiles, an area in which the US has a clear lead over the Soviet Union, an agreement might prove difficult to reach.

Founded though its position is on a determination to retain a credible nuclear deterrent, it seems likely that the US will, in the end, have to envisage some reductions in sea-launched strategic missiles in the interests of reaching an overall deal with the Soviet Union. In that case, Britain and France will no longer be able to argue, as they still do today, that the large nuclear arsenals of the superpowers justify their own "minimum deterrents".

Mr Bush's far-reaching proposals also imply that London and Paris are fast approaching the moment when they have to review their own nuclear defence policies and participate in the nuclear arms control process.

Protecting the small investor

EARLIER this month the Securities and Investments Board (SIB) said in a discussion paper on the regulation of retail investment products in the UK that it wanted investors to be able to "take full advantage of the dynamic and innovative UK market place for financial services".

Just three weeks later National Westminster Bank announced that it has given up the struggle to be the last high street provider of independent financial advice. Its customers will routinely be sold only own brand investment products. Abbey National too, has decided to sell its own life products rather than those of an independent company, Friends Provident. The pattern is established right across the retail banking industry.

The alarming fact is that the innovative and competitive independent life insurance companies are being largely replaced by in-house product "manufacturers" geared to deliver standardised contracts of probably indifferent performance.

Under attack

But the system has been under attack from two directions: direct-selling companies such as Abbey Life and Allied Dunbar; and the big banks and building societies. When the legislation for the protection of investors was reformed through the Financial Services Act 1986, it was vital that the high street banking sector should be retained as a distribution channel for the independent life and unit trust companies. Unfortunately, the authorities succumbed to pressure

from the independent brokers and some of the life companies to adopt so-called "polarisation", which meant that any intermediary had to choose between independent status or be restricted to the products of just one company.

Special relationships

Intermediaries feared that if special relationships with just a few companies were permitted, the conflicts of interest could only be resolved through full disclosure of commissions, which they know would lose them a lot of business. Second, they reasoned that polarisation would cripple the power of the banks to establish financial supermarkets.

The hope that some big retail chains would retain independent status has now proved an illusion. The next stage must be a structural crisis among the independent life companies, which can now only sell to people able to afford independent financial advisers.

There are parallels with the stock market "Big Bang" of 1986 which rebounded against small investors and placed large financial institutions under great pressures. The Financial Services Act, which came fully into effect in 1989, has not been directed sufficiently towards protecting investors.

The unique character of the UK's long-term investment industry is being squandered. As a first step, the polarisation rules should be relaxed, to allow the banks' independent advisory outposts, which they still retain, a restricted basis, much better access to the branches. The SIB could propose this as part of its current review of polarisation.

Second, there is a case for considering closer political oversight of SIB and its subsidiary self-regulatory organisations, and whether vested interests are over-represented among the watchdogs.

President George Bush has seized the moment. His wide-ranging proposal for reductions in US-Soviet nuclear weapons is the first significant response from the west to the new Russian revolution; as usual, the timing was finely judged.

In one stroke, Mr Bush has disarmed those critics at home and abroad who were starting to complain that his reaction to the collapse of Soviet communism was timid and unimaginative. Now, with some justification, he can claim to have set in motion the most sweeping changes in US defence strategy in 40 years.

Mr Bush's proposals - unveiled in a nationwide address on Friday night - come just as the Soviet president, Mr Mikhail Gorbachev, and his Russian counterpart, Mr Boris Yeltsin, are engaged in high-stakes talks to save the union. The US arms control plan is aimed at strengthening their hand in negotiations with the 15 republics; the billion-dollar question is whether Mr Bush, having offered to lift the burden of the nuclear arms race, is prepared to tackle the even trickier issue of economic aid.

Under the president's plan, the US will withdraw all short-range nuclear weapons from Europe, remove all tactical nuclear weapons from all US submarines and warships, and a 24-year alert status for all US strategic bombers; and accelerate the 30 per cent cuts agreed under the Start treaty recently signed with the Soviet Union on long-range missiles.

There is, however, a little less to Mr Bush's offer than meets the eye. Some of his proposals can be reversed, if the Soviets fail to respond. His call eventually to eliminate all land-based multiple warhead missiles singles out for destruction the most destabilising nuclear weapons on the Soviet side. US superiority in submarine-based systems remains intact.

Indeed, Mr Bush has no intention of abandoning America's air, sea, and land-based nuclear triad; he is sticking to plans in place before the abortive Soviet coup, to draw down US armed forces by 25 per cent; and he is loath to cancel any important non-nuclear weapons system. Prudence, it seems, can only be stretched so far.

The greatest impact of Mr Bush's proposals will be psychological. His offer to remove sea-launched cruise missiles, where the US enjoys a long-standing technological edge, gives the US a final ditched post-war American fear about "missile gaps" and Soviet nuclear superiority. The Soviet threat has diminished; now, in Mr Bush's words on Friday night, the US stands ready to "help".

Just how far is the president prepared to go to assist in the political and economic transformation of America's old adversary? The answer, says one senior US official, will depend a great deal on events in Moscow, primarily whether the new Soviet leadership and the republics can agree on power-sharing arrangements and a new economic treaty. At this early stage, powerful voices are urging Mr Bush to be bold. The most prominent is Mr James Baker, US Secretary of State.

Mr Baker visited Moscow this month, holding talks with top Soviet officials and leaders of the Baltic states. He even flew to Kazakhstan to meet the republican leader Mr Nursultan Nazarbayev. Mr Baker's message to Washington was unequivocal: the failed August coup wiped out hard-core, high-level opposition to reform. "We are dealing with a very different country," says one senior administration official.

Thus, Mr Vadim Bakatin, the head of the KGB, asked Mr Baker whether the CIA could offer lessons on how to manage a spy service in a democracy. In General Yevgeny Shapashnikov, the Soviet defence minister, inquired about the US military justice system, offering the breathtaking admission that it was vital to restore the public's trust in the Red Army as an impartial

President Bush's arms control proposals do not obscure a tough decision over direct aid to the Soviet Union, writes Lionel Barber

Hand of friendship for an old foe



Bush's initiative is aimed at helping Yeltsin, left, and Gorbachev, centre, in their talks with the republics

and volunteer fighting force.

Later, General Shapashnikov asked about US base rights agreements with its allies. The most likely explanation, says one senior US official, is that the leadership wants to create a new legal basis for stationing troops in the Soviet republics.

Such talk convinced Mr Baker that the revolution presents the US and the west with an historic opportunity to redefine their wary posture towards the Soviet Union. President Gorbachev further helped his cause by pledging to end the Soviet military presence in Cuba and to cut off arms supplies to Afghanistan. He also showed willingness to resolve the Kurile Islands territorial dispute with Japan; senior US officials are engaged in trying to broker a compromise between Moscow and Tokyo so that Japan regains the islands.

These Soviet concessions may have been an act of desperation, but they served one important purpose: the removal of the political obstacles which President Bush has most frequently cited in opposing direct US financial assistance. A new mood has developed within the administration. "The consensus," says a senior western official, "is that the prospects for reform are much better than before."

Yet this optimism has to be set against the titanic task ahead. In their recent trip to Moscow, Mr Alan Greenspan, chairman of the Federal Reserve, and Mr Nicholas Brady, US Treasury Secretary, heard confirmation that the Soviet authorities are fast running out of hard currency, creating severe liquidity problems and a dangerous squeeze on much-needed imports.

The unspoken fear is that even if Moscow does not declare a moratorium on its \$62bn foreign debt, it may require a western foreign loan of at least \$1bn within the next few weeks to meet its obligations.

The immediate US imperative is to avoid chaos this winter. An international relief campaign, which may rival Herbert Hoover's successful effort to prevent famine in the Soviet Union in the early 1920s, is under way. Working with its partners in the Group of Seven industrialised nations, the US wants an assessment of Soviet needs for food and humanitarian aid within the next few days.

On macroeconomic reform, the US is still moving gingerly. Senior officials stress technical co-operation in areas such as food distribution, energy and the conversion of defence plants to civilian use - all of which ought to provide the hard currency needed to ease the Soviet payments crisis. Equally pressing is the need for contract and property laws; the US view remains that foreign investment

through the private sector, is the most efficient vehicle for the transition to a market economy.

Yet the administration is slowly coming to realise that if the great gamble of Soviet economic reform is undertaken, then direct US financial aid is a must. The US contribution would, of course, be part of a collective western effort, but this still raises the problem of selling the idea to a US Congress which wants American dollars spent on domestic needs such as education and health care. With the federal budget deficit likely to grow to more than \$350bn next year, an election year, Mr Bush will have to muster every pound of political capital to defend direct financial aid to the Soviet Union which is certain to run into billions of dollars.

These political pressures explain why the US is prepared to drop its long-standing opposition to the Soviet Union - or whatever confederation follows - becoming a full member of the International Monetary Fund and World Bank. The prospective shift in US policy is critical, since it would allow the Soviet authorities to borrow directly from a neutral international financial institution with far greater resources than the US.

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Poetic sensitivities

■ Obituaries of Roy Fuller, the distinguished British poet who died on Friday, rightly highlight his sharp eye, his quiet wit and his intellectual authority. But he was also a special hero for those who toil in the prosaic world of commerce and finance. For nearly 50 years, he climbed steadily up the promotion ladder at Woolwich Building Society, and was still the society's full-time solicitor when elected to the Oxford professorship of Poetry in 1968.

Along with volumes of poetry, novels and criticism, his publications included "Questions and Answers in Building Society Law and Practice".

His views on the building society movement (never industry) seem especially relevant in today's harsh climate. "The safety of the investors' cash (and its bearing sufficient interest to retain them) was obviously paramount," he wrote. "But borrowers were treated with as much leniency as was consistent with sensible management; in individual cases of disaster usually with generosity." Not surprisingly, he regretted the Building Societies Act of 1986. "As with so many things in one's lifetime - bread, schooling, dress, manners - the enviable fidelity of society status, invention by British genius of a fair institution for spreading home ownership, was laid open for destruction."

His politics, like his poetry, were not what you might expect of a building society official. But he did move to the right in later years, and rhythm and metre were more important to him than political precision. "In overfond of Uncle Joe," he once wrote, but later confessed that the choice of verb had really been determined by the metre. "Too lenient to Uncle Joe" would

have been more accurate, he claimed.

Business lunch

■ The spirit of risk-taking free enterprise spawned by the Business Expansion Scheme lives on. A group of London socialites, including Taid Theodore, a columnist for the Spectator magazine, and Sir Ian Gilmour, Conservative MP and former arch-wet cabinet minister, is using the BES to launch a restaurant in Covent Garden.

The restaurant will be known as Christopher's The American Grill, after Christopher Gilmour, son of Sir Ian, who will run the restaurant. Typical menus will include corned American beef and Maine lobsters.

The restaurant's interior decor might be another incentive for potential investors - it will feature a mural depicting "all the Restaurant's investors, prominent London personalities and its better known customers".

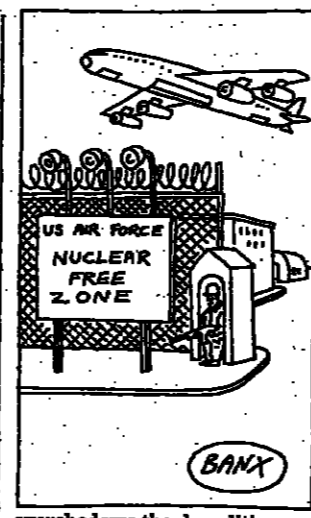
Sappers united

■ Welbeck College, one of the British Army's last male-only bastions, is going co-ed in September 1992.

Welbeck is the army's residential college for students studying for scientific and technical pre-university entry public examinations, and is traditionally an important start for aspirants to top posts in engineering and technical regiments.

Women may now join all British regiments and corps on an equal basis, except combat units. There will be around 30 places for females at the college, out of a total 170. Welbeck graduates of sufficient calibre go on to the Royal Military Academy at Sandhurst. Only one minor concern

OBSERVER



overshadows the demolition of Welbeck's gender divisions. Although the young men and women will be quartered in separate barracks, the college and its grounds are a warren of underground tunnels, constructed in the nineteenth century by the eccentric 8th Duke of Portland. A publicity-shy character, the Duke also built an underground ballroom and a lengthy tunnel linking his mansion to the local railway station. Map-reading might become the most favoured course.

Small fraud

■ Russia's first domestically-issued Visa charge card, issued by Credobank, a small private Moscow bank, has just started operating. Russian credit card fraud is already busy, practised on cards used in Russia by westerners.

By world standards the scale of fraud is low - 0.05 per cent of total card transactions against a global average of 0.13 per cent.

It is also fairly easy to spot. Only 1,000 places in the Soviet Union accept plastic; 80 per

cent of the fraud happens at 20 outlets. Perhaps the next issue of American Express's Expressions could warn us of the hotspots.

Quick kill

■ Howard Hodgson, who as the head of a chain of funeral directors was once responsible for burying one in ten of Britain's dead, is back on the corporate scene.

Hodgson, who sold his stake in his old company earlier this year, is launching a management consultancy company in conjunction with, among others, Mr John Gurn, best known as the chief executive of British & Commonwealth, which collapsed last year.

Hodgson, who has a book called *How to be Dead Rich*, has no intention of jeopardising the considerable fortune he amassed as a funeral director. Recently turned 40, Hodgson considers he has reached "half time" in his business career. He has put aside £200,000 for new ventures, but has invested the rest more conservatively. "I did not want to wake up when I'm 45 and find I'd lost it all," he said.

Face lift

■ Britain lost considerable face recently; it left out an important paragraph on investment protection in Hong Kong in the joint communiqué of the Sino-British Joint Liaison Group, which has just held its 20th meeting in London.

Such negligence could have been seen by the Chinese as politically-motivated. But after Mr John Major's successful visit to Beijing earlier this month, Chinese officials, speaking to the red-faced Foreign Office's defence.

"The meeting had only just finished and they had to prepare their communiqué very quickly," they said, handing over their own complete text of the communiqué in English, with broad smiles.

A TOUCH OF FRANCE HÔTEL PLAZA ATHÉNÉE NEW YORK

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Winnie the Pooh, the honey-loving bear featured in A A Milne's children's books, cuts an unlikely figure in the thriving world of business. But this weekend Winnie was drawn into the bitter battle between Britain's book publishers and book sellers.

The Winnie the Pooh Storybook was one of 20 books which Dillons, the chain of bookshops owned by Mr Terry Maher's Pentos group, sold at a discounted price on Saturday in its latest attack on the net book agreement (NBA), the mechanism that sets minimum prices for most books.

Dillons' discounting seems to have worked. Mr Maher said the Pooh Storybook, a set of books which had not sold at all in some Dillons' shops at the original price of £80, became one of the chain's best sellers at its new price of £50.

Mr Maher, who claims Dillons' sales were 10 per cent higher this Saturday than the £700,000 usually taken on the same day at this time of year, is determined to press ahead with his campaign against the NBA. He is doing so despite an injunction granted to the Publishers' Association on Friday to prevent him selling books at a discount without the publishers' permission.

Dillons is able to continue because Read later national, whose book businesses include Octopus and Secker & Warburg, now publishes its books outside the agreement.

Later this week Waterstones, which is owned by WH Smith, the biggest single player in book retailing, will almost certainly enter the battle by cutting the prices of Read books. Mr Tim Waterstone, chairman, has supported the NBA in the past but said he had no option but to join the price war by discounting "deeper and wider than Dillons' for fear of losing ground."

The initiative by Dillons and Waterstones represents the most serious threat to date to the NBA. If other book sellers join in, and other publishers follow Read's example, the NBA could soon become redundant.

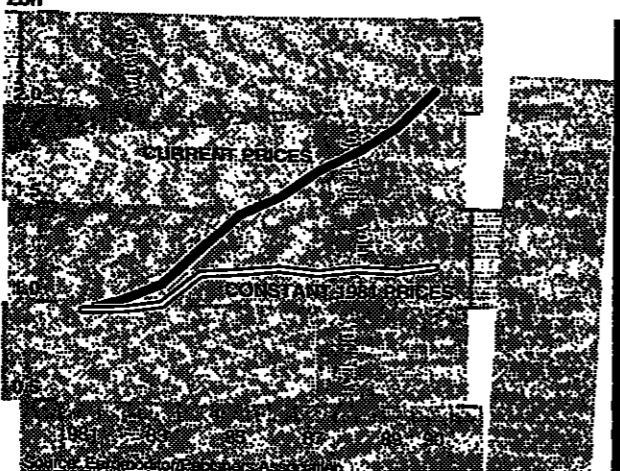
Industry opinion is divided over the net book agreement. Some dismiss it as an anachronism that artificially inflates book prices. Others see it as a sorely needed source of protection for small bookshops and independent publishers.

Both camps agree that the threat to the NBA comes at a very sensitive time for British publishing. The book industry has already been hit by a sharp fall in sales in one of the worst recessions it has known. At the same time the publishers are struggling to

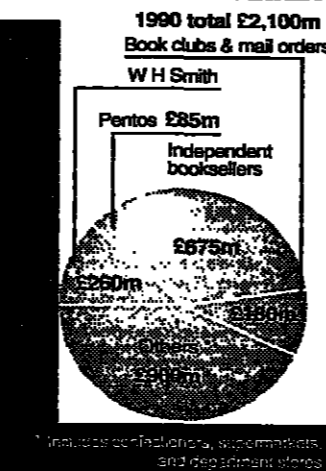
Final chapter for book price accord

Alice Rawsthorn and Raymond Snoddy on the latest assault on the UK net book agreement

UK SALES OF BOOKS



DISTRIBUTION MARKET



adjust to the structural changes in their market: the growing power of the retail sector and the emergence of the new breed of multinational publishing groups.

The critical question for the industry is whether it would be able to cope with the end of the NBA at a time when it is already weakened.

The consensus in the industry is that the number of books sold to the public - which account for two-thirds of the £2.1bn overall UK market, according to the Euronitor research consultancy - is down by between 10 and 15 per cent on 1990.

Publishers have been forced to cut costs by reducing the number of books printed and publishing fewer new titles. There have been thousands of job losses across the 18,000-strong industry. The Publishers' Association recorded 600 redundancies in one month alone earlier this year.

The impact of the recession has been intensified by the industry's internal problems. One problem is the backlog of high advances paid to authors in the 1980s, such as the estimated £225,000 paid to Michael Holroyd for his literary biography of George Bernard Shaw. These advances were paid on books which are being published now when demand is

depressed. Some publishers will not recover their investment.

The industry is also destabilised by the acquisitions of the 1980s. These were the deals that created the multinational publishers such as HarperCollins, part of Mr Rupert Murdoch's News Corporation, and Random House, owned by Mr SI Newhouse, the US publishing magnate, as well as the Reed book business.

The battle over the NBA is certain to make book publishing even more competitive

The formation of the multinationals was followed by a stream of restructuring as they reduced overheads by pooling areas such as sales, distribution, purchasing, printing and administration. This restructuring has almost certainly added to the job losses.

So far the multinationals have had mixed success. Their supporters, such as Mr Alberto Vitale, chairman of Random House, claim they have already achieved impressive, though unspecified, improvements in productivity. Their critics,

Mr Maher said that, in future, if Pentos orders 10,000 copies of a novel he plans to discount, rather than the 1,000 he would usually order, he will expect better terms from the publisher.

Mr Maher, and the NBA's other critics, argue that, if the agreement were abolished, book sales would increase because retailers would be in a better position to promote their products. Some publishers are concerned that, even if he is right, the increase in sales might not be sufficient to compensate for the fall in their margins.

This would almost certainly intensify the pressure on small, independent publishing houses which, unlike the multinationals, would not be able to offset a reduction in prices by exploiting the benefits of economies of scale.

The small houses might then be squeezed out of mainstream publishing and be forced to become more specialist. Alternatively they might be forced to form links with the multinationals. One small London house, Sinclair Stevenson, has already sold a stake to Bantam, the US publisher. Another, the Everyman Library, has delegated responsibility for distribution to Random House.

At the same time the NBA's abolition could make life more difficult for independent book sellers, given that they would not have the same clout as the chains to demand high discounts from publishers to cut the price of books. In the US, where minimum book prices have long since been abolished, there are proportionately fewer mainstream independent bookshops, but small, specialist booksellers are flourishing.

If the same scenario were replicated in the UK, the book market would be locked in a vicious cycle as big book chains and multinational publishers gained ground at the expense of some smaller players.

The polarisation of the industry between very large and very small, specialist companies - both in publishing and retailing - would almost certainly accelerate.

The battle over the NBA is certain to make book publishing even more competitive. Some publishers suspect it will be too competitive. Mr Waterstone is one. He fears the industry is "not strong enough to sustain" a book price war.

However, Mr Maher is convinced his campaign is not only unstoppable but in the long-term interest of the industry. The end of the NBA would help it to sell more books, just as Dillons did this weekend with Winnie the Pooh.

Samuel Brittan

Why unemployment has risen so much



Why is it that when there are so many unemployed people who would like to work to supply these wants are unemployed? This question drew me to the study of political economy. For a long time I wrongly believed that Keynes had solved the problem.

The most important research into this topic in the last decade has been that undertaken by Richard Layard's Centre for Labour Market Economics. Its very title suggests a necessary change of emphasis from Keynes's own absorption in financial issues. The centre is now being expanded into a Centre for Economic Performance. This is, therefore, a good time for a comprehensive account of its findings.

Why has unemployment increased so much since the late 1960s, and why by far more in the European Community than in the USA?

Market economists say that unions or government regulation price workers out of jobs. How can this be? Cannot employers offset the effects of higher nominal pay by raising prices and restoring their original mark-up? They can try, but this will leave wage earners feeling cheated and coming back for more. Unemployment has to be high enough to moderate wage earners' real expectations and thus to prevent a wage price spiral from gathering force. High unemployment will thus often reflect the attempt to obtain excessive real wages rather than high real wages themselves. The authors call the process "wage pressure" and their explanation of it is a notable contribution to macroeconomics.

What accounts for wage pressure? It is all too easy to explain in western Europe where union power and official policies increase the costs of hiring and firing. But how is it explained in the US, which is much less unionised? The authors have adopted the idea of "efficiency wages" as another source of wage pressure independent of unions and government. This some-

what misleading expression describes the well-known desire of employers to pay more than the bare minimum, to retain and motivate a high-quality labour force. As a description of how businessmen think, the idea is obvious. But I find it unconvincing at an economy-wide level.

Whatever the reasons for wage pressure, there is a minimum level of unemployment required to prevent wages and prices chasing each other upwards indefinitely. This will be familiar to my readers as the NAIRU - the non-accelerating inflation rate of unemployment. Layard sometimes calls it "equilibrium unemployment". It is the stage to which the system will return when both boom and slump are behind us. It is the analogue in the labour market of what I called normal capacity operation in Thursday's Economic Viewpoint.

The authors find that unemployment will be higher, the

High unemployment often reflects the attempt to obtain excessive real wages

longer benefit lasts and the higher its ratio to pay. It will also be higher the greater its union strength. So far, so Thatcherite.

One more Fabian finding is that labour market policies such as training, counselling and last resort public works jobs do keep unemployment down. Another is that union strength can be more than offset by what the authors call corporatism - central co-ordination of pay bargaining. Co-ordination by employers is, however, shown to be three times as important as co-ordination by unions. Sweden still emerges as the model country.

The main reasons given for the large increase in the British equilibrium unemployment

rate relate to distant happenings, such as worsening terms of trade, increased union influence and more generous benefits, all of which came to an end by the early 1980s. The only up-to-date identified adverse influence is the increase in skill shortages in any given condition of the labour market.

The authors freely admit that they have not provided a satisfactory explanation, given recent developments such as the reduction of union influence and the much stricter benefit regime. One possibility, left open by the authors, is that equilibrium unemployment has indeed been reduced and that once inflation has been stabilised at a level appropriate to the ERM unemployment will fall surprisingly in the 1990s.

Layard's own view is that the Thatcherite labour market reforms have been offset by an unfortunate move to decentralise pay bargaining which should not have been any part of them. I can see that a highly centralised bargaining system, such as Sweden's or Austria's, is better placed to take into account economy-wide effects than British-style collective bargaining. But why should a move from industry or company-wide negotiations, to one which takes into account local labour market conditions, be harmful, once the transitional costs are out of the way?

So far I have tried not to comment on the predilection of this book for centralisation and governmental reforms rather than deregulation with weaker unions. But I am afraid that it does affect the diagnosis as well as the policy recommendations. Readers, however grateful for the mass of work in one volume, will have to make their own allowances.

"Unemployment: Macroeconomic performance and the Labour Market," R Layard, S Nickell and R Jackman, Oxford, £16.95.

UK UNEMPLOYMENT TREND						
	1956-59	1960-65	1966-73	1974-80	1981-87	1988-90
Average rate %	2.24	2.62	3.39	5.23	11.14	7.27
Equilibrium rate %	2.2	2.5	3.6	7.3	8.7	8.7

LETTERS

US planners offer answer on traffic

From Mr Angus Dalgleish
Sir, The letter from Mr Alvarez-Moro (September 26) highlights the apparent helplessness of European traffic authorities when trying to introduce simple, obvious measures to give priority to high occupancy vehicles. In the US they have been developing techniques for more than 20 years and have little difficulty in enforcing them. One traffic lane into Manhattan carries three times as many seated passengers in an hour as does any toll track into central London. There are many other successful examples of lanes used by buses and car-pools.

For transport planners in Europe, America might be on a different planet. They appear to know nothing or care nothing about what has been achieved there.

Angus Dalgleish,
Shouzon Hill,
Rushbury Road,
Chertsey KT16 9NH

Canada, not UK, on the up

From Nigel Wilkins
Sir, Edward Balls ("UK and Canada: similar problem, different solution" September 23) will have to look further afield than Canada to find a country whose government has mis-handled economic policy as badly as that of the UK.

The most striking difference between the two economies is that the Canadian economic recovery began during the early summer, while in the UK we are still searching for faint murmurings among the faint growth.

Whereas the output measure of GDP in the UK fell a further 0.9 per cent in the second quarter - leaving it 3.7 per cent below its level a year earlier - Canada's GDP bounced back with a rise of 1.2 per cent in the quarter, just 1.5 per cent below the previous year's figure.

Unemployment has already stabilised in Canada. In the UK, on the other hand, we have many months of grim news ahead of us.

Nigel Wilkins,
6 Petersham House,
Harrington Road,
London SW17 3HD

Accusation of racism against union is 'absurd and ridiculous'

From Mr Ken Gill
Sir, Much nonsense has been written and spoken about our motion to this year's Trades Union Congress on inward investment.

Your story, "TUC seeks to soothe Japanese" (September 21), among other things refers to a statement by Mr Edmund Dell, the former Labour trade secretary. He described the TUC resolution as "absurd, ridiculous and damaging".

Is it so absurd, ridiculous or damaging to campaign for British industry to be, by and large, controlled by British people? The report also referred to Gavin Laird's accusation of racism against MSF. This is "absurd and ridiculous", but fortunately not "damaging".

Practices which are contrary to the traditional British arrangements are properly described as alien. They would be alien whether introduced by Japanese or British companies.

Those who insist on describing this use of language as racist are either illiterate or are being mischievous.

The issue of substance con-

cerns the strategic approach of giant Japanese companies to industrial relations. There is no question that these companies are trying to undermine trade union strength and that their insistence on company unions and no strike deals has seriously divided the British trade union movement. It is certainly alien to the letter and spirit of the ILO conventions that the employer and not the workforce chooses the employees' union!

It is the responsibility of trade union leadership to protect best international practice and prevent giant transnational corporations from trampling over fundamental democratic rights.

That is all the TUC resolution seeks to do. I am pleased that 85 per cent of congress saw it this way. Even as an employers' man, Mr Dell should understand these issues.

Ken Gill,
MSF general secretary,
Park House,
64-66 Wandsworth Common,
North Side
London SW13 2SH

Representation too unbalanced for more EC political control

From Mr D Arnold Shepherd
Sir, The Dutch presidency of the EC is proposing to give the European parliament greater legislative powers. Surely, before we go down this line the whole basis of representation through MEPs in the European parliament must be fundamentally altered.

Britain has been a great exponent of democracy worldwide, based on one man one vote, yet here we are in Europe on an entirely false basis of representation.

At the last European parliamentary election I noted that the average constituency per MEP in the UK, France and Germany was about one member for 700,000 voters. In the smaller countries such as Bel-

gium and the Republic of Ireland it is about one member for 300,000-400,000 and in the case of Luxembourg each MEP represents fewer than 100,000 voters.

The outcome of this is that voters in Luxembourg have 10 times the amount of political clout as voters in the UK so far as MEP representation is concerned.

It would be ludicrous to build more political control into such a thoroughly unbalanced parliamentary representation. The structure, as it is, is unworthy of further political significance and I would expect MEPs themselves, as democrats, to be among the first to recognise the need for fundamental change in the constitution of their own body.

D Arnold Shepherd,
J & E Shephard,
Chartered Surveyors,
13 Albert Square,
Dundee DD1 1XA

Power report not doctored

From Mr Andrew Barnett
Sir, You reported (September 20) the shadow minister of overseas development's view that my report on UK aid to six Large Power Generation Schemes was "doctored".

I would like to make it clear that the changes that did occur between the first draft of February 1988, and the last, dated July 1990, were never the result of pressure from British business or from politicians. Indeed, all the comments from British business are included as a separate addendum to the final report. Ann Clwyd's comments are the first I have had from any politician!

Despite the changes, the final report remains highly critical of these particular power projects. Readers of the report can be left in little doubt that the system for providing concessional finance to the power sector needs considerable improvement - not least because there can be little future for companies if a significant proportion of equipment they sell cannot be maintained and provides costly power to locations not in need of it.

I take it from Ann Clwyd's press release that we can expect an avalanche of declassified documents, come the next election!

Andrew Barnett,
33 Southdown Avenue,
Brighton BN1 5EH

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'Indulgence' of Radio 3

From Ian Simons
Sir, The report on Lord Young's speech to the Royal Television Society (September 23) warrants serious attention.

You quote him saying: "Radio 3 is an indulgence that should be abolished." Lord Young, in firing his salvo in anticipation, assuming, of the renegotiation of the BBC Charter, raises major issues on quality, cultural standards and the existence of one of the world's finest public radio stations.

The reduction of the colour television licence fee reported as the argument for the abolition of the "indulgence" is hopefully not a view of those currently in office.

Ian Simons,
6 Holland Park,
London W11 3TG

Power report not doctored

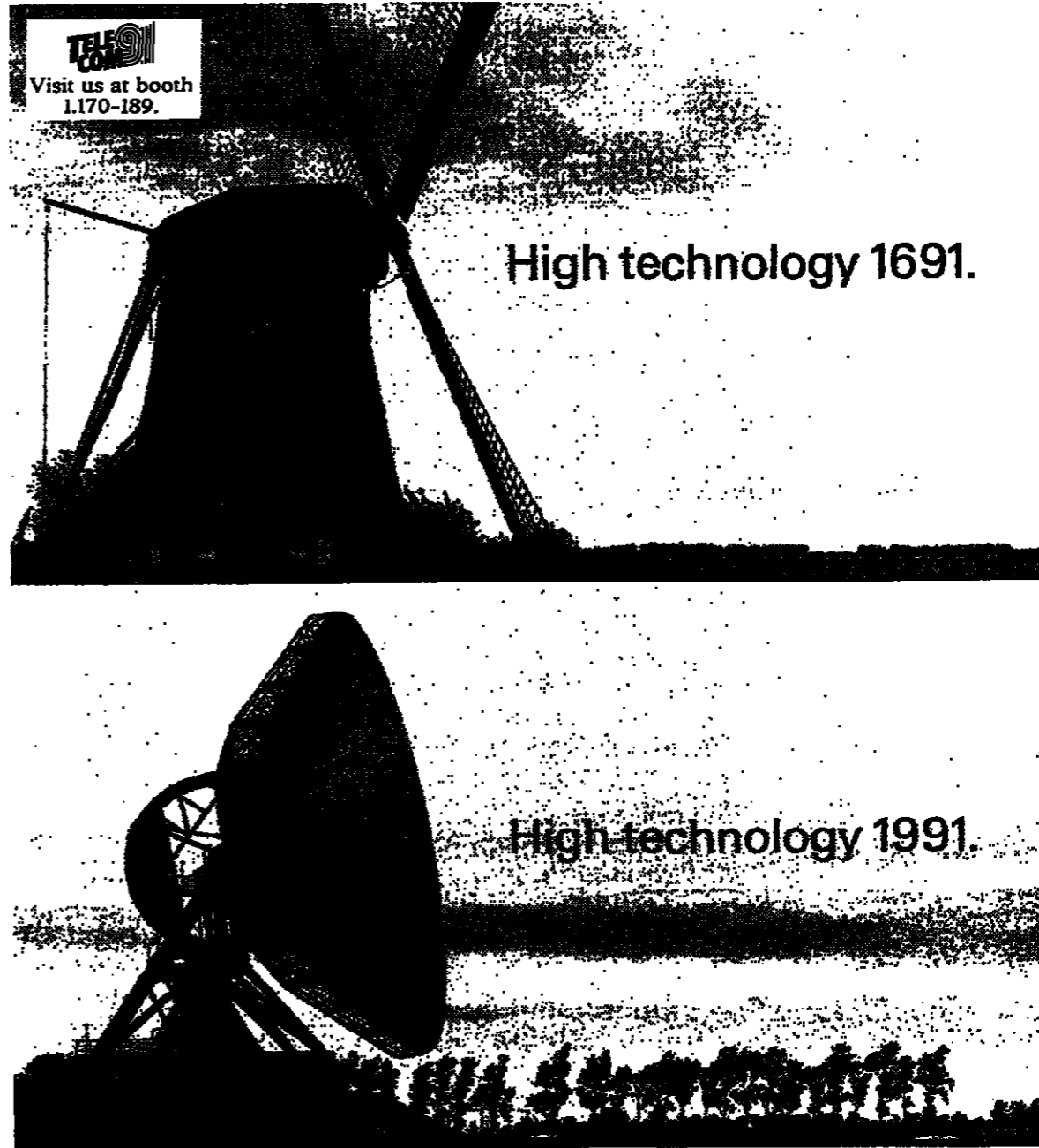
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Andrew Barnett,
33 Southdown Avenue,
Brighton BN1 5EH



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We'll demonstrate just how flexible videoconferencing and satellite communications can be. We'll explain the short-term impact of fiber optics. And we'll show you how your telecommunications can be smoothly integrated into existing processes.

In short, we'll be demonstrating solutions that are flexible, compatible and reliable. And developed by people who take pride in creating realistic, worldwide technologies for the future. International by nature

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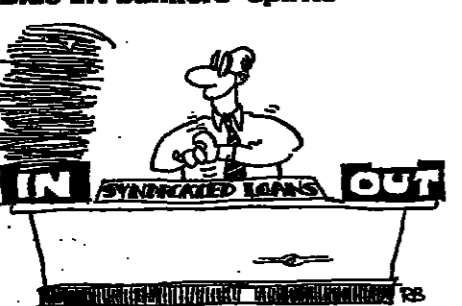
Ferfin hopeful despite fall

Ferruzzi Finanziaria (Ferfin), the financial holding company controlling the Ferruzzi-Montedison group, expects "moderately positive results" for the year in spite of a first-half fall in group consolidated profits after minority interests to £83bn (\$69m) from £180bn last year. Page 23

Decision day for Molins

Molins, maker of specialised machinery for the tobacco industry, could know today the result of its 18-month battle for independence against US financial conglomerate Leucadia National. It will be counting proxies for tomorrow's EGM, at which Leucadia, with a 48.5 per cent stake, will try for the second time to win control of the board. Page 22

Bids lift bankers' spirits



The recent spate of takeover bids in Britain has been lifting the spirits of bankers hoping for a busy final quarter in the syndicated loans market. Top of the list is BTR, the industrial conglomerate bidding nearly £1.5bn for engineering group Hawker Siddeley. Page 25

Italian bonds ignore bad news

In spite of political and economic uncertainty the Italian government's market staged a strong rally in September. On the one hand the government was nearly brought down last week by divisions over a 1992 budget package. On the other, an OECD survey of the economy warned the country it was dangerously out of step with its main trading partners. Page 24

Dawn of the disposable PC?

The era of the disposable personal computer may be around the corner. Chips & Technologies, a Silicon Valley supplier of semiconductor components for personal computers, today launches a "single-chip personal computer" which promises to drive the cost and size of PCs down to calculator proportions. Page 23

Market Statistics			
Base lending rates	33	Managed fund service	25-32
European market turnover	23	Money markets	33
FT-A World Index	23	New int bond issues	25
FT/ABO int bond ave	24	Net Tokyo bond index	22
Foreign exchange	33	US money market rates	24
London stock issues	33	US bond proceeds/yields	24
London share service	34-35	World stock mkt indices	23

Companies in this issue			
Associated Nursing	22	Krupa	23
BET	22	Maxwell Comm Corp	22
Crédit Suisse	22	Molins	22
F&C Pacific Invest	22	Moulinex	23
FI Group	22	Mrs Fields	23
Ferfin	22	Pallias	22
Gardner (DC)	22	Panfilia	22
Goodwin	22	Polly Peck	22
Jacks (Wm)	22	Westpac	23

THE FIRST anniversary of Britain's membership of the exchange rate mechanism of the European Monetary System falls at the end of this week just as the annual public expenditure round enters its final difficult month.

At first, there appears no special reason to link the two events. But recent research by the ESRC Macroeconomic Modelling Bureau at Warwick University and by Mr David Smith, chief economist of City of London stockbrokers Williams de Bro, suggests otherwise.

They argue that public expenditure, like other aspects of UK economic life, has to adapt to the fixed exchange-rate regime of ERM membership. According to Mr Smith, both the government - and the Labour party if it comes to power - will find that increases in public expenditure will damage economic growth in general, and private sector output in particular, so long as sterling is pegged.

The reasoning is contained in a paper by the Warwick team published last month in the Economic Review of the National Institute of Economic and Social Research.

In a comparative analysis of the econometric models of the Treasury, the Bank of England and Oxford Economic Forecasts, the Warwick researchers concluded that increased public expenditure would, within three or four years, have an overall negative effect on UK output as measured by gross domestic product.

They said maintaining the value of sterling would require increases in short-term interest rates, which would "crowd out" growth elsewhere in the economy. Moreover, the Warwick team said the manufacturing sector would suffer a disproportionate fall in output.

Crowding out UK growth in the ERM

by the fifth year. The Bank of England model pointed to even greater negative effects. It suggested that the £2bn-a-year increase in public spending would depress GDP by £5.3bn and private output by £7.3bn in year five. Such output loss would mean higher unemployment.

On the strength of these calculations, Mr Smith concluded that "the victors in the forthcoming election would be well advised to instigate severe public expenditure cut-backs immediately afterwards to maximise their chance of being returned to office in the late 1990s."

But models of an economy are not the same as the real thing. They are fallible and, in the case of public spending, do not distinguish between worthwhile public expenditure, such as investment in infrastructure which should enhance the supply side of the economy, and less productive or unproductive spending.

Moreover, econometric models are like cars - they are constantly being redesigned. Those used by the Warwick team were the 1990 versions.

The Bank of England model, for example, has since been revised in one important respect. The models in the Warwick simulation had a backwards-looking exchange rate equation. Their view of sterling's future trends was based largely on the experience of the pound's behaviour in pre-ERM days when governments were frequently forced to defend sterling with sharp interest rate increases.

The Bank model now has a forward-looking exchange rate equation which, like the financial markets, takes more account of expectations. This change has had a significant impact on the interest rate assumptions which, in turn, largely determine output expectations.

The forward-looking model suggests that interest rates are less likely to rise so sharply now that sterling is in the ERM and the government has made defeating inflation its highest economic priority. Accordingly, a table in the latest Bank of England model manual shows that higher public expenditure need have hardly any effect on output over a five-year period.

The experience so far this year of falling interest rates while public expenditure has been growing quite rapidly tends to support this view. But the validity of such forward-looking exchange rate equations depends crucially on government policies retaining

their credibility with financial markets. This alone should give Mr David Mellor, the chief secretary, some pause for thought as he haggles to keep down departmental budgets.

The model-making exercises have rather more worrying implications for the Labour party. It is committed to a substantial increase in public spending if it wins power at the next general election, and must also reckon on scepticism in financial markets about its ability to control inflation.

Crowding out of a different kind seems to be threatening one of the prime minister's pet initiatives in the international financial markets. At the Commonwealth Finance Ministers meeting a year ago, Mr John Major, when Chancellor of the Exchequer, unveiled a plan to cut the official debt burden of the poorest developing countries by two thirds. He hoped this year's economic summit in London in July would adopt and launch the plan, which is urgently needed in Africa. Instead, the G7 summit referred the matter to the Paris Club of western creditor nations.

The Paris club met this month and failed to agree the terms because of US opposition. Japan, which also opposed the terms at the summit, has since softened its position.

To some extent the Trinidad Terms are being crowded out of the international financial agenda by the problems of the Soviet Union. But the US administration faces difficulties over how to deal with debt write-offs in its budget process and is uncertain whether it can win support for the plan from a hostile Congress.

Mr Major has raised the matter twice with President Bush in recent months. But the main responsibility for pushing the plan now falls on Mr Norman Lamont, the present Chancellor, when he attends the annual meetings of the International Monetary Fund and World Bank in Bangkok next month.

Berlin banks poised for merger

By Christopher Parkes in Bonn

MOVES are under way to create a world-ranking financial services group based in Berlin which may involve Britain's Barclays Bank and Credit Lyonnais of France as significant shareholders.

State officials are preparing draft legislation to merge the city's majority stakes in the Berliner Bank, the Landesbank Berlin, Wohnungsbau-Kreditanstalt Berlin and the mortgage group Berliner Pfandbrief-Bank under the umbrella of a new company, Berliner Banken Holding (BBH).

It is expected to be discussed in the state parliament next month, according to Der Spiegel, the German weekly news magazine.

With a business volume of more than DM120bn (\$71bn), BBH would become the sixth largest commercial bank in Germany. In terms of shareholder equity its DM5.2bn would make it fourth equal with Bayerische Vereinsbank and Hypobank. Credit business, according to Der Spiegel, could reach DM36bn.

The magazine said the city would retain a majority stake in

the new company and 25 per cent would be held by the Gothaer Versicherungs insurance group linked via cross shareholdings to the Berliner Bank.

About 15 per cent would be placed in the stock market, and negotiations were under way for the balance to be taken up by Barclays and Credit Lyonnais.

Quoting from documents prepared by Berliner Bank and Landesbank Berlin, the magazine said the merger should "enable the Berlin financial services industry to play a more authori-

tative role in the new states of east Germany, the development of east European markets and in the European Community."

Berliner Bank, which last year reported a 15 per cent earnings rise in the wake of rapid expansion in the east, has already swallowed up the former eastern Berliner Stadtbank, and has been waiting for months for permission from the state authorities to merge with Landesbank Berlin. Credit Lyonnais is believed to be keen to reinforce German links to ease access to the east.

Leading private-sector banks in Germany

Ranking (1990 business vol)	DMbn
Deutsche Bank	404.7
Dresdner Bank	286.9
Commerzbank	217.9
Bayerische Vereinsbank	215.9
Hypobank	178.0
Berliner Banken AG*	120.0
Bank für Gemeinwirtschaft	63.6
BHF-Bank	44.2

*proposed **estimated Source: Der Spiegel

The odd couple of the computer world

John Sculley opens his briefcase like a conjuror about to produce a rabbit from a hat. Inside is a laminated security badge giving the Apple Computer chairman and chief executive temporary employee status at International Business Machine's Austin, Texas, facilities.

"This is my souvenir," grins Mr Sculley. "This is where we were all summer and nobody knew about it."

Mr Sculley's mission was to forge an alliance with Apple's biggest and most bitter rival, a move that could radically alter the course of the \$800m personal computer business in the 1990s.

IBM and Apple will announce the final terms and details of their collaboration later this week. The companies have agreed to broad co-operation in the development of a new generation of PC technology. A joint venture to develop new PC system software which defines the basic functions of a computer.

Mr Sculley acknowledges that "a few years ago it would have been unthinkable" for Apple and IBM to become partners. However, much has changed since 1984 when Apple spent a million dollars on a TV commercial that characterised Big Blue as Big Brother.

Today, IBM and Apple face common challenges. Both are struggling to commercialise technology faster, and both are attempting to revitalise their corporate strategies.

During the 1980s, Mr Sculley says, Apple was "a niche player in a high-growth segment of the computer industry". In the 1990s, he aims to "bring Apple into the mainstream" of corporate computing.

The IBM alliance has become the cornerstone of Mr Sculley's new "agenda", involving some radical changes at Apple. The company will abandon the propri-

etary software strategy used for the past decade to differentiate its products from those of other PC makers in favour of "open" software licensing.

"At Apple this is like walking into the Vatican and renouncing Catholicism," Mr Sculley says. He acknowledges that Apple will have to compete with IBM and other PC makers on price and faster delivery of products, and by offering more attractive "solutions" to users' needs.

The prospect of going head to head with the world's biggest computer manufacturer and with both companies offering similar products does not worry Mr Sculley. "I spent most of my life com-

Louise Kehoe talks to Apple's John Sculley on the eve of the alliance with IBM

peting like that," says the former president of Pepsi-Cola, where he spearheaded a marketing battle with Coca-Cola before joining Apple eight years ago.

Before approaching IBM a year ago to suggest a technology development alliance, Mr Sculley and Mr Michael Spindler, Apple president, spent months with their counterparts in the world computer and electronics industries exploring grounds for co-operation.

The search for partners was prompted by Mr Sculley's realisation that "Apple would be irrelevant in the 1990s," unless he made drastic changes and that the company "could not do it all alone".

In stark contrast to his enthusiasm today for the future of Apple, Mr Sculley admits to past doubts. "Two years ago, I felt

that Apple was not going to be a company that shaped the industry in the 1990s, in the way it had throughout the 1980s," he says.

New product introductions had been delayed and Apple was losing market share to competitors. It was also evident that Microsoft's Windows 3.0, a program providing IBM-compatible computers with many Apple Macintosh features, would weaken Apple's competitive position.

Mr Sculley set about putting Apple on a new track beginning with top management changes including the stormy departure of Mr Jean Louis Gassner, and the appointment of Mr Spindler, formerly Apple's top European executive, as chief operating officer, and later president, of Apple.

With Mr Spindler looking after day-to-day operations, Mr Sculley took charge of Apple's technology development in an effort to speed new products to market.

Apple launched lower-priced Macintosh products last October in a bid to increase the company's market share. This strategy has increased Apple's sales volume, but lower prices led to reduced profit margins forcing cost-cutting including layoffs.

Next month, Apple will launch notebook computers and a high-performance desktop version of the Macintosh. "We will have caught up in the market segments where we have been behind," Mr Sculley says.

Mr Sculley has been developing Apple's product strategy for the 1990s when he expects the PC's role will be redefined.

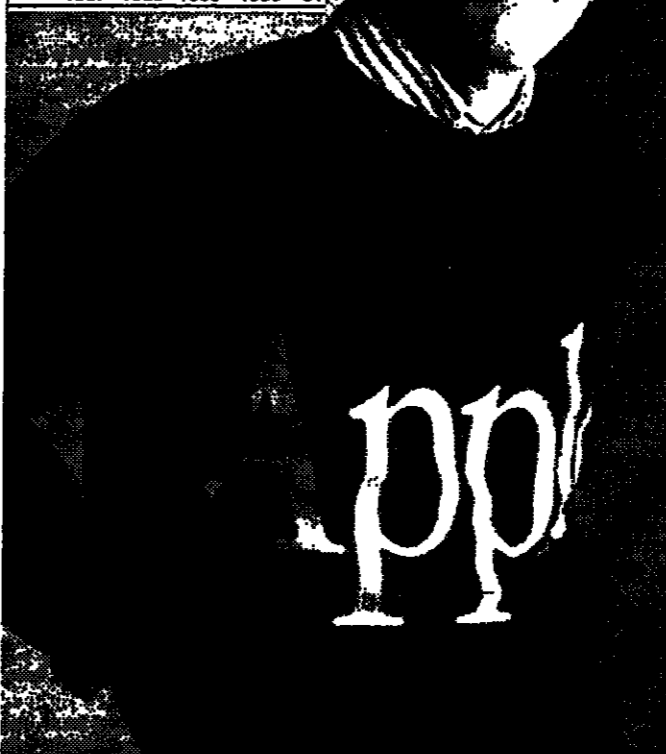
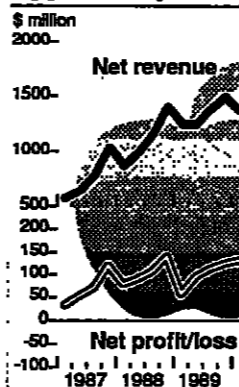
He sees the PC industry splitting into two groups: one driven by open "enterprise systems", the other by miniaturisation and mobility.

In corporate computing, the PC is becoming vital in company-wide multi-vendor computer networks. Miniaturisation, however, is transforming the PC into a portable personal communications and computing tool. With appropriate applications software, it could create a consumer electronics boom.

Apple plans product lines for both these segments. The alliance with IBM will help Apple to create a line of PCs for the corporate market. Apple will also continue to build on its Macintosh product line "throughout the rest of the decade", Mr Sculley says.

On the consumer side, "we can play a big role because we know how to make technology easy to use", says Mr Sculley. He continues about the potential of the miniaturised PC as a "personal communications" device.

Apple Computers



Apple's John Sculley: thinking the unthinkable

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SA fund fails to tempt investors

By Sara Webb and Richard Waters in London

THE first investment fund designed to tempt international investors back into South African shares has flopped, marring the country's return to the international capital markets.

Old Mutual, South Africa's largest life insurance company, called off its planned fund at the end of last week, as recent township violence dampened foreign investor enthusiasm. The launch of the fund, to have been listed on the London Stock Exchange, was made as the Johannesburg Stock Exchange reached its all-time high.

The failure of Old Mutual South Africa Fund to reach its minimum investment of \$50m will come as a blow to Smith New Court, the London brokers who sponsored the fund. Two other investment houses, Baring Securities and Genesis Investment Management, recently decided not to launch funds investing in South African equities after preliminary soundings revealed insufficient interest.

South Africa returned to the international debt markets less than two weeks ago after an absence of six years with a DM400m Eurobond led successfully by Deutsche Bank. Other South African borrowers are now lining up to tap the debt markets.

In spite of its failure, Old Mutual plans to continue monitoring investor interest in South African equities and may relaunch the fund later if conditions prove suitable.

Genesis said that in spite of initial investor interest in a South African fund, it decided not to push ahead with the launch because it felt it would be unable to raise its minimum target of \$25m. Genesis said recent outbreaks of township violence deterred some investors.

Meanwhile, Baring Securities shelved plans to launch a South African fund because it was worried its fund management arm - Baring Asset Management - would lose valuable US state pension business as a result of an association with South Africa.

Smith New Court, a leading market maker in South African shares in London, anticipated demand for the Old Mutual fund from UK and continental European institutions, many of which it believed were changing their views on South African investment following recent political changes.

The Johannesburg Stock Exchange index of industrial companies stands almost 50 per cent higher than in January.

Small UK investors to be offered £2.5bn BT stake

By John Authers in London

SMALL investors in the UK will be offered around £2.5bn (\$4.3bn) worth of shares in BT, formerly British Telecom, when the UK government sells part of its remaining 49 per cent stake later this year.

The portion for retail investors will be half the total stake on sale, with the other half auctioned to UK investment institutions and international investors. According to the latest planning assumptions, the government will sell half of its shares in the company.

The auction will break with the system for previous government flotations by not guaranteeing UK institutions a specific percentage of shares. With no fixed ratios it is theoretically possible for all £2.5bn to be sold to institutions outside the UK. However, this is unlikely as British firms will need to maintain some weighting in BT.

The new system adapted experience from the US, and took note of the tender for stock in the electricity generators, National Power and PowerGen, earlier this year.

Government advisers say the new system should maximise proceeds by assessing institutional demand on a "level playing field", avoid an extreme leap in price immediately after the shares start trading, and shorten the official launch period as demand will be established in advance.

It should also act as a "comfort" to small shareholders in the UK as the price they pay will be set at a discount to the going rate for institutional buyers.

The discount formula will be announced tomorrow.

While most banks haven't done a great deal this summer, we've done plenty.

HEYWOOD WILLIAMS GROUP PLC Successful public offer for THUNGAR BARDEX PLC Lloyds Merchant Bank acted as advisers to Heywood Williams Group PLC	FAIRY GROUP plc has acquired LASERMIKE INC Lloyds Merchant Bank initiated and advised Fairy Group plc	CLYDE PUBLISHING a subsidiary of UNITED NEWSPAPERS plc Sold to DUNFERMLINE PRESS LTD Lloyds Merchant Bank in Leeds acted as advisers to United Newspapers plc
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BUDGENS plc Placing and Open Offer to raise £22.5 million Lloyds Merchant Bank acted as advisers to Budgens plc

LENNOX INDUSTRIES LTD a subsidiary of LENNOX INDUSTRIES INC has acquired ENVIRONMENTAL LIMITED Lloyds Merchant Bank in Birmingham acted as advisers to the vendors of Environmental Limited
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COMPANIES AND FINANCE

Ferruzzi Finanziaria slides to L83bn at interim stage

By Haig Simonian in Milan

FERRUZZI Finanziaria (Ferfin), the financial holding company controlling the Ferruzzi-Montedison group of companies, added to a bleak first-half reporting season for Italy's leading companies by announcing a slide in group consolidated profits after minority interests to L83bn (\$66m) from L130bn last year.

Sales rose slightly to L3,631bn in the first six months of the year. Despite the profits fall, the group said it expected "moderately positive results" for the year as a whole.

Ferfin said the current outlook for the dividend suggested

the possibility of a payout "substantially in line with the previous year".

The group attributed its profits decline in the first half to the difficulties at many of its subsidiaries, especially the Montecatini chemicals operation, which has suffered from declining margins on many plastics products and from the tougher conditions facing the world chemicals industry.

Ferfin implied that rationalisation at Montecatini would affect mainstream and white-collar jobs at many of its operating subsidiaries. Further cuts could come through the continuing reorganisation fol-

lowing the decision last year to merge Montecatini, which controls Montecatini, with the agro-industrial activities formerly carried out by Ferruzzi Agricola Finanziaria.

Net group indebtedness stood at L7,874bn, which was L1,107bn lower than at the same time last year. However, the figure was L1,209bn above that at end-December 1990.

Ferfin ascribed the increase partly to changes in the dollar-exchange rate. Debt had also risen owing to the traditional concentration of payments in the first half of the year in the agro-industrial business.

Trade in Mrs Fields shares suspended

By Michio Nakamoto

DEALINGS in shares of Mrs Fields, the US-based cookie shop, have been suspended on London's unlisted securities market (USM).

The move follows transactions between the company and its affiliates, which are owned by Mr Randall Fields and Mrs Debbie Fields, respectively chairman and chief executive officer.

The shares have been suspended at 10p. At the height of its popularity, the one-time star of the USM rose to a peak of 26p in June 1987.

Transactions at the centre of discussions with the stock exchange involve those between the company and its affiliates, mainly La Petite Boulangerie and Fields Software, both of which are privately owned by the Fields.

Some of the transactions appearing in the accounts were not known to shareholders prior to their publication. The share suspension would allow the stock exchange to determine whether those transactions should have been reported to shareholders.

According to the 1990 report and accounts, Mrs Fields and La Petite have licensing agreements to sell each other's products. Mrs Fields earned royalties of \$310,000 and \$661,000 in 1990 and 1989 and paid La Petite an advance non-refundable royalty of \$6m. A further maximum \$3m may be owed to La Petite.

Mrs Fields and Fields Software also have computer software licensing agreements between them.

However, the group stressed that the suspension did not relate to the trading of shares of the company.

The financially-stretched group, which is primarily a US business but is listed only in London, has faced a difficult environment and reported a pre-tax loss of \$8.79m last year.

Krupps' input helps Moulinex out of the red

MOULINEX, the French household electrical appliances maker, has reported a consolidated net profit of FF385m (\$6.14m) in the first six months of the year, compared with a loss of FF25m in the corresponding period of the year earlier. AP-DJ reports from Paris.

Consolidated revenue rose by 46 per cent, largely reflecting the acquisition in January of Krups, a German electrical appliance manufacturer.

Excluding sales from Krups, revenue would have risen by 16 per cent to FF2.92bn in the first half of 1991, from FF2.51bn a year earlier.

Moulinex said Krups' turnover and contribution to earnings in the first half of this year were similar to those of the same 1990 period.

The company said its revenue and profits for the whole year should be in line with projections.

Westpac alters name of TV subsidiary

THE WESTPAC Banking group said yesterday it had changed the name of its subsidiary Television Australia to Television and Telecasters. Reuters reports from Sydney.

The change followed an approach by Television Australia Satellite Systems regarding continuing confusion between its name and the Westpac subsidiary.

Westpac's Television and Telecasters acquired the Channel Ten television stations in Sydney, Melbourne and Brisbane in July this year.

"At no time has Westpac Banking Corp, its subsidiary or the Channel Ten Network had any financial interest in Television Australia Satellite Systems Ltd," the bank said.

Finns to launch Ecu300m deal

By Tracy Corrigan

MUNICIPALITY Finance, the financing arm of Finland's local government sector, plans to make its debut in the Euro-bond market this week with an issue that may signal a new source of supply of Ecu-denominated paper.

Following the linkage of several Scandinavian currencies to the Ecu this year, and given the high relative interest rates in all Scandinavian markets, borrowers from the region using the Ecu market are now able to benefit from lower interest rate payments with the virtual elimination of currency exposure.

Otherwise, the supply of paper in the Ecu bond market

is likely to be lower than expected during the last quarter of 1991, in the wake of the European Bank for Reconstruction and Development's highly successful Ecu500m deal last week.

The Kingdom of Spain, which has been preparing to launch an Ecu1bn deal, has put its foreign borrowing on hold, while Belgium, which had also been eyeing the Ecu market, has raised funds in dollars instead.

Municipality Finance plans to issue Ecu300m of five- or seven-year bonds. The deal, arranged by Goldman Sachs, will be swapped into floating-rate Ecu, and then

lent in small portions to individual municipalities.

The deal will be guaranteed by Local Government Pensions, an agency of the Republic of Finland. Municipality Finance's long-term debt is rated triple-A by Standard & Poor's and double-A by Moody's. The borrower plans to raise about Ecu1bn in 1992, in addition to Ecu1bn in 1991.

Other Scandinavian borrowers are interested in the market. However, for the moment, none of the sovereign borrowers are in need of funds, and the Ecu market may not offer sufficient arbitrage for aggressive agencies like Swedish Export Credit.

MP to head Crédit Suisse fund business

MR JOHN Moore, the man once tipped to succeed Mrs Thatcher as leader of the Conservative party, is to become executive chairman of Crédit Suisse's fund management business in London, writes Richard Waters.

Mr Moore, who has said he will stand down as MP for Croydon Central at the next election, returns to finance after a 17-year political career. Before moving to Westminster in 1974, he had been chairman of Dean Witter International, part of the US investment bank.

He was secretary of state for social services after the 1987 general election, before ill health helped to end his ministerial career.

At the start of next year, he is to take over as chairman of Crédit Suisse Asset Management, which has £2.5bn under management for individuals and investment institutions. The business was created out of the former stockbroker Buckmaster & Moore.

Top French financiers forge banking alliance

By Richard Waters

TWO of France's best-known financiers, Mr Pierre Moussa and Mr Gérard Eskenazi, have formed an alliance, rekindling their close association of a decade ago when they ran Paribas, the French banking group.

The alignment will also result in Swiss Bank Corporation becoming a minority holder in part of Mr Moussa's private investment and financial services group, Pallas.

Mr Eskenazi is to take a 25 per cent stake in Pallas Holdings, which runs the group's financial services businesses, through his investment vehicle, Compagnie Industrielle à Paris. Pallas's investments include the majority stake in Crevale, a securities house.

He will also take a 20 per cent stake in Pallas Invest, the investment holding company built up by Mr Moussa and Pallas's president, Mr Peter Castenfeld.

At the same time, Pallas is to merge its small Paris-based

merchant banking subsidiary, Banque Pallas France, with Banque Stern, a merchant bank acquired by SBC in 1986. The new bank, to be known as Banque Pallas Stern, will be majority-owned by Pallas, with SBC holding a 35 per cent stake.

The new bank is also due to participate in a joint-venture corporate finance operation in France together with SBC and Mr Eskenazi's company, said Mr Castenfeld. SBC is already a significant backer of Compair, with a fifth of the shares.

The series of links was intended to bring together the investment skills of Pallas and Mr Eskenazi, and enable Pallas to benefit from Mr Eskenazi's deal-making skills, said Mr Castenfeld. Compair is buying mainly existing shares in Pallas, rather than injecting new capital, though it has agreed to take over some of the group's investments, he said.

Mr Eskenazi quit the board of Pargesa, the Swiss holding company, a year ago.

Call for tougher corporate laws

By Kevin Brown in Sydney

AUSTRALIA'S Companies and Securities Committee, a key government advisory body, calls in a report published today for a significant tightening of corporate disclosure legislation.

The report follows a two-month investigation ordered by Mr Michael Duffy, the attorney general, as part of preparation for a wide-ranging corporate regulations Bill to be tabled in parliament early next year.

The report supports the system of "continuous disclosure" introduced earlier this year by the Australian Stock Exchange (ASX), which requires listed

companies to inform the market of any "material information".

However, it says the continuous disclosure rules should be extended to private companies with gross assets of more than A\$10m (US\$8m), and to government-owned corporations such as Australia Telecom and Qantas.

Unlisted companies would have to file detailed interim and annual reports with the Australian Securities Commission (ASC), the corporate watchdog, and inform it of any transactions or events that could affect financial or operational prospects.

The report says an extension of quarterly reporting, which is currently limited to listed mining companies, should be kept under review, but was "not warranted at this stage".

Mr Ian Ramsay, the committee's deputy director, said continuous reporting would make quarterly reporting unnecessary. "Once we have an effectively enforced continuous disclosure regime up and running, the attractiveness of quarterly reporting diminishes rapidly," he said.

The committee's recommendations are expected to be included in the forthcoming Bill, which will also incorporate earlier recommendations on the law on directors' responsibilities and inter-company financial transactions.

Moves to tighten the law follow unease among investors over the activities of some companies and individuals during the late 1980s.

Several businessmen are facing criminal charges following ASC investigations, including Mr Alan Bond, former chairman of Bond Corporation Holdings, and Mr Christopher Skase, former head of the Qintex media and leisure group.

NRI TOKYO BOND INDEX				
PERFORMANCE INDEX				
	26/9/91	1st	12 wks	26 wks
26/9/91	101.06	6.24	101.99	125.82
26/9/91	101.06	6.24	101.99	125.82
26/9/91	101.06	6.24	101.99	125.82
26/9/91	101.06	6.24	101.99	125.82
26/9/91	101.06	6.24	101.99	125.82
26/9/91	101.06	6.24	101.99	125.82
26/9/91	101.06	6.24	101.99	125.82
26/9/91	101.06	6.24	101.99	125.82
26/9/91	101.06	6.24	101.99	125.82

U.S. \$60,000,000

MANUFACTURERS NATIONAL CORPORATION

(Incorporated in the State of Delaware)

Subordinated Floating Rate Notes due September 1996

Issue Price 100%

In accordance with the provisions of the Notes, notice is hereby given that for the Interest Period from September 30, 1991 to March 31, 1992 the Notes will carry an interest rate of 5.5375% per annum. The interest payable on the relevant interest payment date, March 31, 1992 will be U.S. \$301,822 for Notes in denominations of U.S. \$10,000 and U.S. \$7,545.57 for Notes in denominations of U.S. \$250,000.

By: The Chase Manhattan Bank, N.A.
London, Agent Bank

September 30, 1991

United Kingdom

U.S. \$4,000,000,000

Floating Rate Notes Due 1996

In accordance with the provisions of the Notes, notice is hereby given that, for the three month period 30th September, 1991 to 30th December, 1991, the Notes will carry an interest rate of 5.1% per annum. Coupon No. 21 will therefore be payable on 30th December, 1991, at the rate of US\$56,635.42 from Notes of US\$500,000 nominal and US\$132.71 from Notes of US\$10,000 nominal.

S. G. Warburg & Co. Ltd.
Agent Bank

Issue of up to U.S. \$360,000,000

Elders DL Treasury (Australia) Limited

Subordinated Guaranteed Floating Rate Notes due 1995

Guaranteed as to Principal and Interest by

Elders DL Limited

For the interest period September 30, 1991 to March 31, 1992 the Notes will carry an interest rate of 6.4675% per annum. The interest payable on the relevant interest payment date, March 31, 1992 will be U.S. \$3,297.81 per U.S. \$100,000 Nominal Amount.

By: The Chase Manhattan Bank, N.A.
London, Agent Bank

September 30, 1991

US \$200,000,000

Rothschilde Continuation Finance B.V.

Primary Capital Updated Guaranteed Floating Rate Notes

For the period from September 30, 1991 to March 30, 1992 the Notes will carry an interest rate of 6.6% per annum with an interest amount of US \$206.49 per US \$100,000 Note.

The relevant interest payment date will be March 30, 1992.

Agent Bank:
Banque Paribas Luxembourg
Société Anonyme

BANQUE NATIONALE DE PARIS S.A. & CO (DEUTSCHLAND) OHG

USD 200,000,000

Floating Rate Subordinated Loan due 2000

THE HOKURIKU BANK LTD

Notice is hereby given that the rate of interest for the period from September 30, 1991 to December 30, 1991 has been fixed at 5.85 per cent. The coupon amount due for this period is US \$3,888.88 per US \$200,000 denomination and is payable on the interest payment date December 30, 1991.

The Fiscal Agent
Banque Nationale de Paris (Luxembourg) S.A.

The Nippon Credit Bank (Curaçao) Finance, N.V.

U.S. \$500,000,000

Subordinated Floating Rate Guaranteed Notes 2000

In accordance with the terms and conditions of the Notes, notice is hereby given that the interest rate for the Interest Period from 27th September, 1991 to 27th December, 1991 is 5.80% per annum. The Coupon Amount payable on the 27th December, 1991 in respect of each of U.S. \$10,000 in principal amount of each note is U.S. \$145.61.

Bankers Trust Company, London
Agent Bank

U.S. \$200,000,000

Banco di Santo Spirito S.p.A.
(Incorporated with limited liability in the Republic of Italy)

London Branch

Floating Rate Depository Receipts due 1993

In accordance with the provisions of the Notes, notice is hereby given that for the Interest Period from September 30, 1991 to March 31, 1992 the Notes will carry an interest rate of 5.5% per annum. The interest payable on the relevant interest payment date, March 31, 1992 will be U.S. \$285.94 for Notes in denominations of U.S. \$10,000 and U.S. \$2,859.38 for Notes in denominations of U.S. \$100,000.

By: The Chase Manhattan Bank, N.A.
London, Agent Bank

September 30, 1991

Wells Fargo & Company

US\$150,000,000

Floating rate subordinated notes due 1992

In accordance with the provisions of the notes, notice is hereby given that for the Interest Period 30 September, 1991 to 31 October, 1991 the notes will carry an interest rate of 5.60% per annum. Interest payable on the relevant interest payment date 31 October, 1991 will amount to US\$48.22 per US\$10,000 note.

Agent: Morgan Guaranty Trust Company

JPMorgan

Wells Fargo & Company

US\$100,000,000

Subordinated floating rate capital notes due September 1997

In accordance with the provisions of the notes, notice is hereby given that for the Interest Period 30 September, 1991 to 31 December, 1991 the notes will carry an interest rate of 5.625% per annum. Interest payable on the relevant interest payment date 31 December, 1991 will amount to US\$143.75 per US\$10,000 note.

Agent: Morgan Guaranty Trust Company

JPMorgan

HSBC Holdings plc

Incorporated in England with limited liability. Registered number 617987
Group Head Office: Queen's Road Central, Hong Kong
Registered Office: 99 Bishopsgate, London, EC2P 2LA, United Kingdom

Notice to Former Shareholders of The Hongkong and Shanghai Banking Corporation Limited

Scheme of Arrangement

Pursuant to a Scheme of Arrangement between The Hongkong and Shanghai Banking Corporation Limited ('HSBC') and its shareholders ('the Scheme'), which became effective on 2 April 1991, HSBC Holdings plc ('HSBC Holdings') acquired the entire issued share capital of HSBC. One Ordinary Share of HK\$10 in HSBC Holdings was issued in exchange for every four shares of HK\$2.50 each in HSBC. Certificates for the Ordinary Shares in HSBC Holdings were mailed to shareholders of HSBC Holdings on 6 April 1991.

The Trust

The Ordinary Shares in HSBC Holdings which would otherwise have been allotted to HSBC shareholders who were 'untraceable' (as defined in the Scheme) were allotted under the terms of the Scheme to Coutts & Co (Jersey) Limited (formerly NatWest International Trust Corporation (Jersey) Limited) ('the Trustee') and are to be held by the Trustee on the terms of a Trust Deed dated 1 February 1991 between HSBC Holdings and the Trustee.

Claims

Any person who believes he is entitled to HSBC Holdings shares issued in exchange for HSBC shares under the Scheme (and any other property held by the Trustee with respect to or derived from such shares) and who has not received the relevant share certificates should address a claim to the Exchange Agent, Central Registration Hong Kong Limited, Hopewell Centre, 19th Floor, 183 Queen's Road East, Hong Kong. (who has been appointed by the Trustee for the purpose of receiving and processing such claims) enclosing (wherever possible) certificates for the appropriate number of HSBC shares.

For and on behalf of HSBC Holdings plc
R G Barber
Secretary

30 September 1991

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.				
Period	Pool selling price	Pool buying price	Pool clearing price	Pool clearing price
10 hour period	15.87	15.87	15.87	15.87
10 hour period	15.87	15.87	15.87	15.87
10 hour period	15.87	15.87	15.87	15.87
10 hour period	15.87	15.87	15.87	15.87
10 hour period	15.87	15.87	15.87	15.87
10 hour period	15.87	15.87	15.87	15.87
10 hour period	15.87	15.87	15.87	15.87
10 hour period	15.87	15.87	15.87	15.87
10 hour period	15.87	15.87	15.87	15.87
10 hour period	15.87	15.87	15.87	15.87

SCOTLAND INTERNATIONAL FINANCE B.V.

US\$100,000,000

Guaranteed Floating Rate Notes 1992.

For the six months from 30th September 1991 to 29th March 1992 inclusive the Notes will carry an interest rate of 5.4% per annum.

The relevant interest payment date will be 30th March 1992.

Coupon 21 will be for US\$146.93.

Agent Bank
Barclays Bank PLC
Barclays Global Services Services
Stock Exchange Services Department
168 Fenchurch Street
London EC3P 3HP

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Société d'investissement à Capital Variable

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R.C. Luxembourg B.29.053

Dividend Notice

By resolution of a General Meeting of Shareholders held on September 23rd, 1991, a further dividend for the 1990 year of ECU 0.02 per share class "A" and per share class "B" is declared payable on or after October 9th, 1991, to registered shareholders on record on September 25th, 1991, and to holders of bearer shares upon presentation of coupon no 7. The shares are quoted ex-dividend as from October 2nd, 1991.

Payment Agent:
CCF Luxembourg S.A.
8 Avenue Marie-Thérèse
L-2132 Luxembourg



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needs is
a backlog.

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IN
Stansted.

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ADA

[illegible]

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[illegible]

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[illegible]

• Current Unit Trust prices are available on FT Cityline, call 0835 430000. Calls charged at 38p/minute plus access rate and 48p/minute at all other times. To obtain your free Unit Trust Code Booklet call: 011-925-2138

هكذا عن الكل

CURRENCIES, MONEY AND CAPITAL MARKETS

MONEY MARKETS

US dollar steadies awaiting jobs data

THE strength of the US economy's recovery from recession continues to dominate the dollar's movements. This week will be no exception as currency dealers wait for the September employment report on Friday.

UK clearing bank base lending rate 10.5 per cent from September 4, 1991

The indicators last week provided mixed signals on the economy and the dollar remained locked in a narrow trading range.

US administration officials remained upbeat, anticipating a strong rebound in the current quarter. However, the market is not convinced and there is a growing belief that there will be no rapid recovery. This view is likely to be supported by the September employment report, which is released on Friday. Non-farm

payroll employment is expected to rise by just 10,000 compared with the 34,000 increase in August.

Another jobs report showing little employment growth will be bound to lead to pressure in the market for a reduction in US interest rates.

The Federal Reserve may be willing to relax monetary policy if the recovery is showing signs of faltering. But it is not clear whether this will cause the dollar to slide. Longer-term institutional investors have begun to pick up dollars and seem likely to do so again if the dollar weakens.

There are also technical reasons for believing the dollar will not give up all of the gains it made so far this year. Some chart analysts believe the dollar could soon move higher.

With the market unable to make up its mind on the dollar the US currency may just remain stuck where it is despite the jobs figures.

£ IN NEW YORK

Sept 27	Close	Previous
1 month	1.7200	1.7200
3 months	1.7200	1.7200
6 months	1.7200	1.7200
12 months	1.7200	1.7200

STERLING INDEX

Sept 27	Close	Previous
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00

OTHER CURRENCIES

Sept 27	Close	Previous
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00

CHICAGO

Sept 27	Close	Previous
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00

US TREASURY BILLS (90%)

Sept 27	Close	Previous
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00

US TREASURY BILLS (90%)

Sept 27	Close	Previous
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00

US TREASURY BILLS (90%)

Sept 27	Close	Previous
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00

US TREASURY BILLS (90%)

Sept 27	Close	Previous
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00

US TREASURY BILLS (90%)

Sept 27	Close	Previous
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00

US TREASURY BILLS (90%)

Sept 27	Close	Previous
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00

US TREASURY BILLS (90%)

Sept 27	Close	Previous
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00

CURRENCY MOVEMENTS

Sept 27	Close	Previous
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00

CURRENCY RATES

Sept 27	Close	Previous
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00

CURRENCY RATES

Sept 27	Close	Previous
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00

CURRENCY RATES

Sept 27	Close	Previous
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00

CURRENCY RATES

Sept 27	Close	Previous
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00

CURRENCY RATES

Sept 27	Close	Previous
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00

CURRENCY RATES

Sept 27	Close	Previous
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00

CURRENCY RATES

Sept 27	Close	Previous
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00

CURRENCY RATES

Sept 27	Close	Previous
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00

POUND SPOT - FORWARD AGAINST THE POUND

Sept 27	Close	Previous
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Sept 27	Close	Previous
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00

EXCHANGE CROSS RATES

Sept 27	Close	Previous
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00

EURO-CURRENCY INTEREST RATES

Sept 27	Close	Previous
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00

FT LONDON INTERBANK FIXING

Sept 27	Close	Previous
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00

MONEY RATES

Sept 27	Close	Previous
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00

LONDON MONEY RATES

Sept 27	Close	Previous
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00

LONDON MONEY RATES

Sept 27	Close	Previous
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00

LONDON MONEY RATES

Sept 27	Close	Previous
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00

LONDON MONEY RATES

Sept 27	Close	Previous
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00

LONDON MONEY RATES

Sept 27	Close	Previous
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00

LONDON MONEY RATES

Sept 27	Close	Previous
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00

LONDON MONEY RATES

Sept 27	Close	Previous
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00

LONDON RECENT ISSUES

Sept 27	Close	Previous
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00

FIXED INTEREST STOCKS

Sept 27	Close	Previous
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00

RIGHTS OFFERS

Sept 27	Close	Previous
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00

BANK OF ENGLAND TREASURY BILL TENDER

Sept 27	Close	Previous
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00

WEEKLY CHANGE IN MONTHLY INTEREST RATES

Sept 27	Close	Previous
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00

FINANCIAL TIMES STOCK INDICES

Sept 27	Close	Previous
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00

BRITISH FUNDS

Sept 27	Close	Previous
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00

BRITISH FUNDS - Contd

Sept 27	Close	Previous
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	1	

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AMERICANS

[illegible]

BUILDING, TIMBER, ROADS Contd

[illegible]

DRAPERY AND STORES - Contd

[illegible]

ENGINEERING

[illegible]

INDUSTRIALS (Miscel.)—Contd.

Unit	Stock	Price	Value	Unit	Value	Percentage
101	General Motors	38 1/2	1,155	101	1,155	100%
102	General Motors	38 1/2	1,155	102	1,155	100%
103	General Motors	38 1/2	1,155	103	1,155	100%
104	General Motors	38 1/2	1,155	104	1,155	100%
105	General Motors	38 1/2	1,155	105	1,155	100%
106	General Motors	38 1/2	1,155	106	1,155	100%
107	General Motors	38 1/2	1,155	107	1,155	100%
108	General Motors	38 1/2	1,155	108	1,155	100%
109	General Motors	38 1/2	1,155	109	1,155	100%
110	General Motors	38 1/2	1,155	110	1,155	100%
111	General Motors	38 1/2	1,155	111	1,155	100%
112	General Motors	38 1/2	1,155	112	1,155	100%
113	General Motors	38 1/2	1,155	113	1,155	100%
114	General Motors	38 1/2	1,155	114	1,155	100%
115	General Motors	38 1/2	1,155	115	1,155	100%
116	General Motors	38 1/2	1,155	116	1,155	100%
117	General Motors	38 1/2	1,155	117	1,155	100%
118	General Motors	38 1/2	1,155	118	1,155	100%
119	General Motors	38 1/2	1,155	119	1,155	100%
120	General Motors	38 1/2	1,155	120	1,155	100%
121	General Motors	38 1/2	1,155	121	1,155	100%
122	General Motors	38 1/2	1,155	122	1,155	100%
123	General Motors	38 1/2	1,155	123	1,155	100%
124	General Motors	38 1/2	1,155	124	1,155	100%
125	General Motors	38 1/2	1,155	125	1,155	100%
126	General Motors	38 1/2	1,155	126	1,155	100%
127	General Motors	38 1/2	1,155	127	1,155	100%
128	General Motors	38 1/2	1,155	128	1,155	100%
129	General Motors	38 1/2	1,155	129	1,155	100%
130	General Motors	38 1/2	1,155	130	1,155	100%
131	General Motors	38 1/2	1,155	131	1,155	100%
132	General Motors	38 1/2	1,155	132	1,155	100%
133	General Motors	38 1/2	1,155	133	1,155	100%
134	General Motors	38 1/2	1,155	134	1,155	100%
135	General Motors	38 1/2	1,155	135	1,155	100%
136	General Motors	38 1/2	1,155	136	1,155	100%
137	General Motors	38 1/2	1,155	137	1,155	100%
138	General Motors	38 1/2	1,155	138	1,155	100%
139	General Motors	38 1/2	1,155	139	1,155	100%
140	General Motors	38 1/2	1,155	140	1,155	100%
141	General Motors	38 1/2	1,155	141	1,155	100%
142	General Motors	38 1/2	1,155	142	1,155	100%
143	General Motors	38 1/2	1,155	143	1,155	100%
144	General Motors	38 1/2	1,155	144	1,155	100%
145	General Motors	38 1/2	1,155	145	1,155	100%
146	General Motors	38 1/2	1,155	146	1,155	100%
147	General Motors	38 1/2	1,155	147	1,155	100%
148	General Motors	38 1/2	1,155	148	1,155	100%
149	General Motors	38 1/2	1,155	149	1,155	100%
150	General Motors	38 1/2	1,155	150	1,155	100%

INDUSTRIALS (Miscel.) - Contd.

[illegible]

CANADIANS

1694	1695	1696	1697	1698	1699	1700	1701	1702	1703	1704	1705	1706	1707	1708	1709	1710	1711	1712	1713	1714	1715	1716	1717	1718	1719	1720	1721	1722	1723	1724	1725	1726	1727	1728	1729	1730	1731	1732	1733	1734	1735	1736	1737	1738	1739	1740	1741	1742	1743	1744	1745	1746	1747	1748	1749	1750	1751	1752	1753	1754	1755	1756	1757	1758	1759	1760	1761	1762	1763	1764	1765	1766	1767	1768	1769	1770	1771	1772	1773	1774	1775	1776	1777	1778	1779	1780	1781	1782	1783	1784	1785	1786	1787	1788	1789	1790	1791	1792	1793	1794	1795	1796	1797	1798	1799	1800
1694	1695	1696	1697	1698	1699	1700	1701	1702	1703	1704	1705	1706	1707	1708	1709	1710	1711	1712	1713	1714	1715	1716	1717	1718	1719	1720	1721	1722	1723	1724	1725	1726	1727	1728	1729	1730	1731	1732	1733	1734	1735	1736	1737	1738	1739	1740	1741	1742	1743	1744	1745	1746	1747	1748	1749	1750	1751	1752	1753	1754	1755	1756	1757	1758	1759	1760	1761	1762	1763	1764	1765	1766	1767	1768	1769	1770	1771	1772	1773	1774	1775	1776	1777	1778	1779	1780	1781	1782	1783	1784	1785	1786	1787	1788	1789	1790	1791	1792	1793	1794	1795	1796	1797	1798	1799	1800
1694	1695	1696	1697	1698	1699	1700	1701	1702	1703	1704	1705	1706	1707	1708	1709	1710	1711	1712	1713	1714	1715	1716	1717	1718	1719	1720	1721	1722	1723	1724	1725	1726	1727	1728	1729	1730	1731	1732	1733	1734	1735	1736	1737	1738	1739	1740	1741	1742	1743	1744	1745	1746	1747	1748	1749	1750	1751	1752	1753	1754	1755	1756	1757	1758	1759	1760	1761	1762	1763	1764	1765	1766	1767	1768	1769	1770	1771	1772	1773	1774	1775	1776	1777	1778	1779	1780	1781	1782	1783	1784	1785	1786	1787	1788	1789	1790	1791	1792	1793	1794	1795	1796	1797	1798	1799	1800
1694	1695	1696	1697	1698	1699	1700	1701	1702	1703	1704	1705	1706	1707	1708	1709	1710	1711	1712	1713	1714	1715	1716	1717	1718	1719	1720	1721	1722	1723	1724	1725	1726	1727	1728	1729	1730	1731	1732	1733	1734	1735	1736	1737	1738	1739	1740	1741	1742	1743	1744	1745	1746	1747	1748	1749	1750	1751	1752	1753	1754	1755	1756	1757	1758	1759	1760	1761	1762	1763	1764	1765	1766	1767	1768	1769	1770	1771	1772	1773	1774	1775	1776	1777	1778	1779	1780	1781	1782	1783	1784	1785	1786	1787	1788	1789	1790	1791	1792	1793	1794	1795	1796	1797	1798	1799	1800
1694	1695	1696	1697	1698	1699	1700	1701	1702	1703	1704	1705	1706	1707	1708	1709	1710	1711	1712	1713	1714	1715	1716	1717	1718	1719	1720	1721	1722	1723	1724	1725	1726	1727	1728	1729	1730	1731	1732	1733	1734	1735	1736	1737	1738	1739	1740	1741	1742	1743	1744	1745	1746	1747	1748	1749	1750	1751	1752	1753	1754	1755	1756	1757	1758	1759	1760	1761	1762	1763	1764	1765	1766	1767	1768	1769	1770	1771	1772	1773	1774	1775	1776	1777	1778	1779	1780	1781	1782	1783	1784	1785	1786	1787	1788	1789	1790	1791	1792	1793	1794	1795	1796	1797	1798	1799	1800
1694	1695	1696	1697	1698	1699	1700	1701	1702	1703	1704	1705	1706	1707	1708	1709	1710	1711	1712	1713	1714	1715	1716	1717	1718	1719	1720	1721	1722	1723	1724	1725	1726	1727	1728	1729	1730	1731	1732	1733	1734	1735	1736	1737	1738	1739	1740	1741	1742	1743	1744	1745	1746	1747	1748	1749	1750	1751	1752	1753	1754	1755	1756	1757	1758	1759	1760	1761	1762	1763	1764	1765	1766	1767	1768	1769	1770	1771	1772	1773	1774	1775	1776	1777	1778	1779	1780	1781	1782	1783	1784	1785	1786	1787	1788	1789	1790	1791	1792	1793	1794	1795	1796	1797	1798	1799	1800
1694	1695	1696	1697	1698	1699	1700	1701	1702	1703	1704	1705	1706	1707	1708	1709	1710	1711	1712	1713	1714	1715	1716	1717	1718	1719	1720	1721	1722	1723	1724	1725	1726	1727	1728	1729	1730	1731	1732	1733	1734	1735	1736	1737	1738	1739	1740	1741	1742	1743	1744	1745	1746	1747	1748	1749	1750	1751	1752	1753	1754	1755	1756	1757	1758	1759	1760	1761	1762	1763	1764	1765	1766	1767	1768	1769	1770	1771	1772	1773	1774	1775	1776	1777	1778	1779	1780	1781	1782	1783	1784	1785	1786	1787	1788	1789	1790	1791	1792	1793	1794	1795	1796	1797	1798	1799	1800
1694	1695	1696	1697	1698	1699	1700	1701	1702	1703	1704	1705	1706	1707	1708	1709	1710	1711	1712	1713	1714	1715	1716	1717	1718	1719	1720	1721	1722	1723	1724	1725	1726	1727	1728	1729	1730	1731	1732	1733	1734	1735	1736	1737	1738	1739	1740	1741	1742	1743	1744	1745	1746	1747	1748	1749	1750	1751	1752	1753	1754	1755	1756	1757	1758	1759	1760	1761	1762	1763	1764	1765	1766	1767	1768	1769	1770	1771	1772	1773	1774	1775	1776	1777	1778	1779	1780	1781	1782	1783	1784	1785	1786	1787	1788	1789	1790	1791	1792	1793	1794	1795	1796	1797	1798	1799	1800
1694	1695	1696	1697	1698	1699	1700	1701	1702	1703	1704	1705	1706	1707	1708	1709	1710	1711	1712	1713	1714	1715	1716	1717	1718	1719	1720	1721	1722	1723	1724	1725	1726	1727	1728	1729	1730	1731	1732	1733	1734	1735	1736	1737	1738	1739	1740	1741	1742	1743	1744	1745	1746	1747	1748	1749	1750	1751	1752	1753	1754	1755	1756	1757	1758	1759	1760	1761	1762	1763	1764	1765	1766	1767	1768	1769	1770	1771	1772	1773	1774	1775	1776	1777	1778	1779	1780	1781	1782	1783	1784	1785	1786	1787	1788	1789	1790	1791	1792	1793	1794	1795	1796	1797	1798	1799	1800
1694	1695	1696	1697	1698	1699	1700	1701	1702	1703	1704	1705	1706	1707	1708	1709	1710	1711	1712	1713	1714	1715	1716	1717	1718	1719	1720	1721	1722	1723	1724	1725	1726	1727	1728	1729	1730	1731	1732	1733	1734	1735	1736	1737	1738	1739	1740	1741	1742	1743	1744	1745	1746	1747	1748	1749	1750	1751	1752	1753	1754	1755	1756	1757	1758	1759	1760	1761	1762	1763	1764	1765	1766	1767	1768	1769	1770	1771	1772	1773	1774	1775	1776	1777	1778	1779	1780	1781	1782	1783	1784	1785	1786	1787	1788	1789	1790	1791	1792	1793	1794	1795	1796	1797	1798	1799	1800
1694	1695	1696	1697	1698	1699	1700	1701	1702	1703	1704	1705	1706	1707	1708	1709	1710	1711	1712	1713	1714	1715	1716	1717	1718	1719	1720	1721	1722	1723	1724	1725	1726	1727	1728	1729	1730	1731	1732	1733	1734	1735	1736	1737	1738	1739	1740	1741	1742	1743	1744	1745	1746	1747	1748	1749	1750	1751	1752	1753	1754	1755	1756	1757	1758	1759	1760	1761	1762	1763	1764	1765	1766	1767	1768	1769	1770	1771	1772	1773	1774	1775	1776	1777	1778	1779	1780	1781	1782	1783	1784	1785	1786	1787	1788	1789	1790	1791	1792	1793	1794	1795	1796	1797	1798	1799	1800
1694	1695	1696	1697	1698	1699	1700	1701	1702	1703	1704	1705	1706	1707	1708	1709	1710	1711	1712	1713	1714	1715	1716	1717	1718	1719	1720	1721	1722	1723	1724	1725	1726	1727	1728	1729	1730	1731	1732	1733	1734	1735	1736	1737	1738	1739	1740	1741	1742	1743	1744	1745	1746	1747	1748	1749	1750	1751	1752	1753	1754	1755	1756	1757	1758	1759	1760	1761	1762	1763	1764	1765	1766	1767	1768	1769	1770	1771	1772	1773	1774	1775	1776	1777	1778	1779	1780	1781	1782	1783	1784	1785	1786	1787	1788	1789	1790	1791	1792	1793	1794	1795	1796	1797	1798	1799	1800
1694	1695	1696	1697	1698	1699	1700	1701	1702	1703	1704	1705	1706	1707	1708	1709	1710	1711	1712	1713	1714	1715	1716	1717	1718	1719	1720	1721	1722	1723	1724	1725	1726	1727	1728	1729	1730	1731	1732	1733	1734	1735	1736	1737	1738	1739	1740	1741	1742	1743	1744	1745	1746	1747	1748	1749	1750	1751	1752	1753	1754	1755	1756	1757	1758	1759	1760	1761	1762	1763	1764	1765	1766	1767	1768	1769	1770	1771	1772	1773	1774	1775	1776	1777	1778	1779																					

BANKS, HP & LEASING

[illegible]

CHEMICALS, PLASTICS

5.7 Loc Refrigeration	257	75.29
7.1 HEICA Sp	70	0.510.12
0.71 Colson Inc	13	1.314.1

[illegible]**FOOD, GROCERIES, ETC**

Grain	1000 bushels	55	52	51	50	49	48	47	46	45	44	43	42	41	40	39	38	37	36	35	34	33	32	31	30	29	28	27	26	25	24	23	22	21	20	19	18	17	16	15	14	13	12	11	10	9	8	7	6	5	4	3	2	1	0	-1	-2	-3	-4	-5	-6	-7	-8	-9	-10	-11	-12	-13	-14	-15	-16	-17	-18	-19	-20	-21	-22	-23	-24	-25	-26	-27	-28	-29	-30	-31	-32	-33	-34	-35	-36	-37	-38	-39	-40	-41	-42	-43	-44	-45	-46	-47	-48	-49	-50	-51	-52	-53	-54	-55	-56	-57	-58	-59	-60	-61	-62	-63	-64	-65	-66	-67	-68	-69	-70	-71	-72	-73	-74	-75	-76	-77	-78	-79	-80	-81	-82	-83	-84	-85	-86	-87	-88	-89	-90	-91	-92	-93	-94	-95	-96	-97	-98	-99	-100
Grain	1000 bushels	55	52	51	50	49	48	47	46	45	44	43	42	41	40	39	38	37	36	35	34	33	32	31	30	29	28	27	26	25	24	23	22	21	20	19	18	17	16	15	14	13	12	11	10	9	8	7	6	5	4	3	2	1	0	-1	-2	-3	-4	-5	-6	-7	-8	-9	-10	-11	-12	-13	-14	-15	-16	-17	-18	-19	-20	-21	-22	-23	-24	-25	-26	-27	-28	-29	-30	-31	-32	-33	-34	-35	-36	-37	-38	-39	-40	-41	-42	-43	-44	-45	-46	-47	-48	-49	-50	-51	-52	-53	-54	-55	-56	-57	-58	-59	-60	-61	-62	-63	-64	-65	-66	-67	-68	-69	-70	-71	-72	-73	-74	-75	-76	-77	-78	-79	-80	-81	-82	-83	-84	-85	-86	-87	-88	-89	-90	-91	-92	-93	-94	-95	-96	-97	-98	-99	-100
Grain	1000 bushels	55	52	51	50	49	48	47	46	45	44	43	42	41	40	39	38	37	36	35	34	33	32	31	30	29	28	27	26	25	24	23	22	21	20	19	18	17	16	15	14	13	12	11	10	9	8	7	6	5	4	3	2	1	0	-1	-2	-3	-4	-5	-6	-7	-8	-9	-10	-11	-12	-13	-14	-15	-16	-17	-18	-19	-20	-21	-22	-23	-24	-25	-26	-27	-28	-29	-30	-31	-32	-33	-34	-35	-36	-37	-38	-39	-40	-41	-42	-43	-44	-45	-46	-47	-48	-49	-50	-51	-52	-53	-54	-55	-56	-57	-58	-59	-60	-61	-62	-63	-64	-65	-66	-67	-68	-69	-70	-71	-72	-73	-74	-75	-76	-77	-78	-79	-80	-81	-82	-83	-84	-85	-86	-87	-88	-89	-90	-91	-92	-93	-94	-95	-96	-97	-98	-99	-100
Grain	1000 bushels	55	52	51	50	49	48	47	46	45	44	43	42	41	40	39	38	37	36	35	34	33	32	31	30	29	28	27	26	25	24	23	22	21	20	19	18	17	16	15	14	13	12	11	10	9	8	7	6	5	4	3	2	1	0	-1	-2	-3	-4	-5	-6	-7	-8	-9	-10	-11	-12	-13	-14	-15	-16	-17	-18	-19	-20	-21	-22	-23	-24	-25	-26	-27	-28	-29	-30	-31	-32	-33	-34	-35	-36	-37	-38	-39	-40	-41	-42	-43	-44	-45	-46	-47	-48	-49	-50	-51	-52	-53	-54	-55	-56	-57	-58	-59	-60	-61	-62	-63	-64	-65	-66	-67	-68	-69	-70	-71	-72	-73	-74	-75	-76	-77	-78	-79	-80	-81	-82	-83	-84	-85	-86	-87	-88	-89	-90	-91	-92	-93	-94	-95	-96	-97	-98	-99	-100
Grain	1000 bushels	55	52	51	50	49	48	47	46	45	44	43	42	41	40	39	38	37	36	35	34	33	32	31	30	29	28	27	26	25	24	23	22	21	20	19	18	17	16	15	14	13	12	11	10	9	8	7	6	5	4	3	2	1	0	-1	-2	-3	-4	-5	-6	-7	-8	-9	-10	-11	-12	-13	-14	-15	-16	-17	-18	-19	-20	-21	-22	-23	-24	-25	-26	-27	-28	-29	-30	-31	-32	-33	-34	-35	-36	-37	-38	-39	-40	-41	-42	-43	-44	-45	-46	-47	-48	-49	-50	-51	-52	-53	-54	-55	-56	-57	-58	-59	-60	-61	-62	-63	-64	-65	-66	-67	-68	-69	-70	-71	-72	-73	-74	-75	-76	-77	-78	-79	-80	-81	-82	-83	-84	-85	-86	-87	-88	-89	-90	-91	-92	-93	-94	-95	-96	-97	-98	-99	-100
Grain	1000 bushels	55	52	51	50	49	48	47	46	45	44	43	42	41	40	39	38	37	36	35	34	33	32	31	30	29	28	27	26	25	24	23	22	21	20	19	18	17	16	15	14	13	12	11	10	9	8	7	6	5	4	3	2	1	0	-1	-2	-3	-4	-5	-6	-7	-8	-9	-10	-11	-12	-13	-14	-15	-16	-17	-18	-19	-20	-21	-22	-23	-24	-25	-26	-27	-28	-29	-30	-31	-32	-33	-34	-35	-36	-37	-38	-39	-40	-41	-42	-43	-44	-45	-46	-47	-48	-49	-50	-51	-52	-53	-54	-55	-56	-57	-58	-59	-60	-61	-62	-63	-64	-65	-66	-67	-68	-69	-70	-71	-72	-73	-74	-75	-76	-77	-78	-79	-80	-81	-82	-83	-84	-85	-86	-87	-88	-89	-90	-91	-92	-93	-94	-95	-96	-97	-98	-99	-100
Grain	1000 bushels	55	52	51	50	49	48	47	46	45	44	43	42	41	40	39	38	37	36	35	34	33	32	31	30	29	28	27	26	25	24	23	22	21	20	19	18	17	16	15	14	13	12	11	10	9	8	7	6	5	4	3	2	1	0	-1	-2	-3	-4	-5	-6	-7	-8	-9	-10	-11	-12	-13	-14	-15	-16	-17	-18	-19	-20	-21	-22	-23	-24	-25	-26	-27	-28	-29	-30	-31	-32	-33	-34	-35	-36	-37	-38	-39	-40	-41	-42	-43	-44	-45	-46	-47	-48	-49	-50	-51	-52	-53	-54	-55	-56	-57	-58	-59	-60	-61	-62	-63	-64	-65	-66	-67	-68	-69	-70	-71	-72	-73	-74	-75	-76	-77	-78	-79	-80	-81	-82	-83	-84	-85	-86	-87	-88	-89	-90	-91	-92	-93	-94	-95	-96	-97	-98	-99	-100
Grain	1000 bushels	55	52	51	50	49	48	47	46	45	44	43	42	41	40	39	38	37	36	35	34	33	32	31	30	29	28	27	26	25	24	23	22	21	20	19	18	17	16	15	14	13	12	11	10	9	8	7	6	5	4	3	2	1	0	-1	-2	-3	-4	-5	-6	-7	-8	-9	-10	-11	-12	-13	-14	-15	-16	-17	-18	-19	-20	-21	-22	-23	-24	-25	-26	-27	-28	-29	-30	-31	-32	-33	-34	-35	-36	-37	-38	-39	-40	-41	-42	-43	-44	-45	-46	-47	-48	-49	-50	-51	-52	-53	-54	-55	-56	-57	-58	-59	-60	-61	-62	-63	-64	-65	-66	-67	-68	-69	-70	-71	-72	-73	-74	-75	-76	-77	-78	-79	-80	-81	-82	-83	-84	-85	-86	-87	-88	-89	-90	-91	-92	-93	-94	-95	-96	-97	-98	-99	-100
Grain	1000 bushels	55	52	51	50	49	48	47	46	45	44	43	42	41	40	39	38	37	36	35	34	33	32	31	30	29	28	27	26	25	24	23	22	21	20	19	18	17	16	15	14	13	12	11	10	9	8	7	6	5	4	3	2	1	0	-1	-2	-3	-4	-5	-6	-7	-8	-9	-10	-11	-12	-13	-14	-15	-16	-17	-18	-19	-20	-21	-22	-23	-24	-25	-26	-27	-28	-29	-30	-31	-32	-33	-34	-35	-36	-37	-38	-39	-40	-41	-42	-43	-44	-45	-46	-47	-48	-49	-50	-51	-52	-53	-54	-55	-56	-57	-58	-59	-60	-61	-62	-63	-64	-65	-66	-67	-68	-69	-70	-71	-72	-73	-74	-75	-76	-77	-78	-79	-80	-81	-82	-83	-84	-85	-86	-87	-88	-89	-90	-91	-92	-93	-94	-95	-96	-97	-98	-99	-100
Grain	1000 bushels	55	52	51	50	49	48	47	46	45	44	43	42	41	40	39	38	37	36	35	34	33	32	31	30	29	28	27	26	25	24	23	22	21	20	19	18	17	16	15	14	13	12	11	10	9	8	7	6	5	4	3	2	1	0	-1	-2	-3	-4	-5	-6	-7	-8	-9	-10	-11	-12	-13	-14	-15	-16	-17	-18	-19	-20	-21	-22	-23	-24	-25	-26	-27	-28	-29	-30	-31	-32	-33	-34	-35	-36	-37	-38	-39	-40	-41	-42	-43	-44	-45	-46	-47	-48	-49	-50	-51	-52	-53	-54	-55	-56	-57	-58	-59	-60	-61	-62	-63	-64	-65	-66	-67	-68	-69	-70	-71	-72	-73	-74	-75	-76	-77	-78	-79	-80	-81	-82	-83	-84	-85	-86	-87	-88	-89	-90	-91	-92	-93	-94	-95	-96	-97	-98	-99	-100
Grain	1000 bushels	55	52	51	50	49	48	47	46	45	44	43	42	41	40	39	38	37	36	35	34	33	32	31	30	29	28	27	26	25	24	23	22	21	20	19	18	17	16	15	14	13	12	11	10	9	8	7	6	5	4	3	2	1	0	-1	-2	-3	-4	-5	-6	-7	-8	-9	-10	-11	-12	-13	-14	-15	-16	-17	-18	-19	-20	-21	-22	-23	-24	-25	-26	-27	-28	-29	-30	-31	-32	-33	-34	-35	-36	-37	-38	-39	-40	-41	-42	-43	-44	-45	-46	-47	-48	-49	-50	-51	-52	-53	-54	-55	-56	-57	-58	-59	-60	-61	-62	-63	-64	-65	-66	-67	-68	-69	-70	-71	-72	-73	-74	-75	-76	-77	-78	-79	-80	-81	-82	-83	-84	-85	-86	-87	-88	-89	-90	-91	-92	-93	-94	-95	-96	-97	-98	-99	-100
Grain	1000 bushels	55	52	51	50	49	48	47	46	45	44	43	42	41	40	39	38	37	36	35	34	33	32	31	30	29	28	27	26	25	24	23	22	21	20	19	18	17	16	15	14	13	12	11	10	9	8	7	6	5	4	3	2	1	0	-1	-2	-3	-4	-5	-6	-7	-8	-9	-10	-11	-12	-13	-14	-1																																																																																					

INSURANCES

[illegible]

LETSURE

[illegible]

BEERS, WINES & SPIRITS

[illegible]

DRAPERY AND STORES

[illegible]

88	China Group 10p...	38		13.11
69	Foodline Sp.	45		-

[illegible]

HOTELS AND CATERERS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]**ELECTRIATV**

ELECTRICITY									
1	Alabama Electric Svc.	185	-1.1	5.9	15.7	Mar	02	1992	
2	Alabama Public Svc.	206 1/2	-1.9	5.8	15.7	Mar	02	1992	
3	22 Arizona Electric Svc.	218	-0.2	5.9	15.7	Mar	02	1992	
4	23 Arkansas Electric Svc.	218	-0.4	6.3	21.7	Mar	02	1992	
5	24 California Electric Svc.	213 1/2	-1.2	4.2	11.2	Mar	02	1992	
6	25 Colorado Electric Svc.	218 1/2	-1.2	4.2	11.2	Mar	02	1992	
7	26 Connecticut Power	213	0	6.1	15.7	Mar	02	1992	
8	27 Delaware Electric Svc.	218	-1.7	5.8	15.7	Mar	02	1992	
9	28 Florida Power Svc.	213	-1.7	5.8	15.7	Mar	02	1992	
10	29 Georgia Electric Svc.	213	-1.7	5.8	15.7	Mar	02	1992	
11	30 Idaho Power Svc.	213	-1.7	5.8	15.7	Mar	02	1992	
12	31 Illinois Electric Svc.	213	-1.7	5.8	15.7	Mar	02	1992	
13	32 Indiana Electric Svc.	213	-1.7	5.8	15.7	Mar	02	1992	
14	33 Iowa Electric Svc.	213	-1.7	5.8	15.7	Mar	02	1992	
15	34 Kansas Electric Svc.	213	-1.7	5.8	15.7	Mar	02	1992	
16	35 Kentucky Electric Svc.	213	-1.7	5.8	15.7	Mar	02	1992	
17	36 Louisiana Electric Svc.	213	-1.7	5.8	15.7	Mar	02	1992	
18	37 Maine Electric Svc.	213	-1.7	5.8	15.7	Mar	02	1992	
19	38 Maryland Electric Svc.	213	-1.7	5.8	15.7	Mar	02	1992	
20	39 Massachusetts Electric Svc.	213	-1.7	5.8	15.7	Mar	02	1992	
21	40 Michigan Electric Svc.	213	-1.7	5.8	15.7	Mar	02	1992	
22	41 Minnesota Electric Svc.	213	-1.7	5.8	15.7	Mar	02	1992	
23	42 Missouri Electric Svc.	213	-1.7	5.8	15.7	Mar	02	1992	
24	43 Montana Electric Svc.	213	-1.7	5.8	15.7	Mar	02	1992	
25	44 Nebraska Electric Svc.	213	-1.7	5.8	15.7	Mar	02	1992	
26	45 Nevada Electric Svc.	213	-1.7	5.8	15.7	Mar	02	1992	
27	46 New Hampshire Electric Svc.	213	-1.7	5.8	15.7	Mar	02	1992	
28	47 New Jersey Electric Svc.	213	-1.7	5.8	15.7	Mar	02	1992	
29	48 New Mexico Electric Svc.	213	-1.7	5.8	15.7	Mar	02	1992	
30	49 New York Electric Svc.	213	-1.7	5.8	15.7	Mar	02	1992	
31	50 North Carolina Electric Svc.	213	-1.7	5.8	15.7	Mar	02	1992	
32	51 North Dakota Electric Svc.	213	-1.7	5.8	15.7	Mar	02	1992	
33	52 Ohio Electric Svc.	213	-1.7	5.8	15.7	Mar	02	1992	
34	53 Oklahoma Electric Svc.	213	-1.7	5.8	15.7	Mar	02	1992	
35	54 Oregon Electric Svc.	213	-1.7	5.8	15.7	Mar	02	1992	
36	55 Pennsylvania Electric Svc.	213	-1.7	5.8	15.7	Mar	02	1992	
37	56 Rhode Island Electric Svc.	213	-1.7	5.8	15.7	Mar	02	1992	
38	57 South Carolina Electric Svc.	213	-1.7	5.8	15.7	Mar	02	1992	
39	58 South Dakota Electric Svc.	213	-1.7	5.8	15.7	Mar	02	1992	
40	59 Tennessee Electric Svc.	213	-1.7	5.8	15.7	Mar	02	1992	
41	60 Texas Electric Svc.	213	-1.7	5.8	15.7	Mar	02	1992	
42	61 Utah Electric Svc.	213	-1.7	5.8	15.7	Mar	02	1992	
43	62 Vermont Electric Svc.	213	-1.7	5.8	15.7	Mar	02	1992	
44									

INDUSTRIALS (Miscel.)

Flows 71ep. p	172	7.0 29.9	May
T 10c	497	4.5 15.7	Jun
H	457	-4.8 22.234	Jun
AAB 1025	229.7	-0.8 24.235	Jun
M 10a	161	15.7 4.629.7	Oct
SB Barrett 2b	12	-7.7 -5.8	
Severest 10c	1082	1.9 4.6 16.9	Oct
Wrighty Lake. Sp	7	-0.7	
Wrighty Lake. Sp	43	4.2 29.4	Jun
Wrighty Lake. Sp	238	0.9 3.7 17.6	Jun
Wrighty Lake. Sp	156	-2.3 5.1 15.4	Jun
Wrighty Lake. Sp	177	-2.8 11.8 20.5	Jun
Wrighty Lake. Sp	340	5.6 4.0 25.2	Apr
Wrighty Lake. Sp	338	7.9 1.7	Dec
Wrighty Lake. Sp	338	6.1 15.7	Dec

NASDAQ NATIONAL MARKET

4:15 pm Arrive September 2

[illegible]

4:00 pm prices September 27

[illegible]**MEXICO**

The FT proposes to publish this survey on October 24 1991. This survey will be read in 160 countries worldwide, including Mexico where it will be widely distributed. In Europe 89% of the professional investment community regularly read the FT. If you want to reach this important audience, call Paul Marinovich on 071 873 3447.

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MONDAY INTERVIEW

Reformer with work still to do

Carlos Salinas de Gortari, Mexico's president, speaks to Stephen Fidler and Damian Fraser

The Mexican president is invested with extraordinary power. In his own land, his will is law. He faces little opposition from Congress, where his party has traditionally carried an unassailable majority, or from constituent states, all but two of which are run by his party. He gets an easy ride from the local press and is never criticised on domestic television.

The current holder of that office is Mr Carlos Salinas de Gortari, who at 43 is half way through his six-year term. His position has been strengthened by the convincing victory of his party, the Institutional Revolutionary Party (PRI), in mid-term congressional elections last month. Though not entirely free of accusations of ballot rigging, the result partly erased the memory of the fraud-tainted 1988 poll which brought him to office. August's congressional session showed, Mr Salinas said, that voters "want change to continue".

In his first three years, Mr Salinas moved quickly to confront Mexico's economic ills, such as stagnant growth and inflation (50 per cent annually in 1988; 18 per cent today). In an interview at Los Pinos, the presidential residence in Mexico City, he confirmed his impatience for further reform.

"We are doing things which a few years ago would have been considered anathema," he said. He has buried years of antagonism to begin talks with the US over a free trade agreement which will also include Canada. He has privatised large sectors of industry, and tackled the entrenched power of the trades unions. The government has signed a deal with foreign banks that should give no oil price collapse, put the country's external debt problem firmly into the past. As a result, investment funds are flooding into Mexico, helping to rekindle growth after a decade of economic decline.

This may yet turn out to be the easy part. Some in his administration believe the biggest political gambles of the Salinas presidency may lay ahead.

Mr Salinas and many of his cabinet colleagues are products of the best of US education. The president himself has three Harvard postgraduate degrees. While these qualifications have been an asset in dealing with economic problems, ministers have their work cut out in countering opposition criticisms that as foreign-educated technocrats

they fail to understand the lot of the average Mexican.

Those close to the president say he is a man who does not like to lose, but he is not averse to changing his mind. Content to allow significant freedom to his ministers, he will nonetheless quickly seize upon the weaknesses of any proposed policy. He will take risks, but only after discounting the alternatives.

The son of a minister, Mr Salinas comes from a family steeped in politics. In Mexico, politics has been dominated by the PRI, which, with its earlier incarnations, has run the country since 1929.

While couching its activities in revolutionary rhetoric, the PRI has always been guided less by ideology than by its desire to hold on to power. This has involved successfully resolving the claims of the three main interest groups that have dominated Mexican society: peasants, urban workers and the professional classes.

The PRI's corporatist structure, which ties most facets of public life, looks increasingly outdated in the modern and pluralistic society to which Mr Salinas aspires.

Mr Salinas has stated before that he intends to reform the party, and has been criticised for not moving faster. His dilemma is that it is the party which has brought him to power and has strengthened his mandate in the mid-term elections. As the British historian Hugh Thomas has remarked, Mr Salinas is like a woodcutter who has "set about cutting the branch of the tree by which he has climbed and on which he is sitting".

The president insisted that much had already been done to improve confidence in the electoral system in Mexico, but there was still more to do.

The PRI itself has, he says, undergone changes since the 1988 election. It campaigns better, picks better candidates, and has improved its internal organisation, but, again he adds, there is more to do.

The PRI, he says, must improve its "territorial organisation" - a hint that it needs to enhance its grassroots support and ease its reliance on its traditional backers - unions, farm leaders and teachers.

Mr Salinas will also seek reforms to separate the party from the state, a distinction once regarded as irrelevant in Mexico but now seen as an essential component of a truly competitive political system.

After three years of eco-



'Voters want change to continue in Mexico'

conomic reform, his commitment to yet more change is undiminished. "Our commitment is simultaneously to have political and economic change." The president believes that a comprehensive North American Free Trade Agreement could be in place by the first part of next year. The accord is seen by the government as more than an opportunity for furthering growth; it is seen as a device that will, in effect, make Mr Salinas' economic reforms irreversible. Negotia-

PERSONAL FILE

1948 Born in Nuevo Leon.
1969 Studied economics at National Autonomous University of Mexico.
1972 Master's in public administration, Harvard University.
1978 Director general at Ministry of Finance.
1979 Director general at Ministry of Programming and Budget.
1982 Secretary of Ministry of Programming and Budget.
1988 Elected president.
1991 PRI wins 61 per cent of vote in mid-term congressional elections.

tions are now at their "most important stage".

Having signed this month a free trade agreement with Chile, the first in Latin America, Mr Salinas says he wants to conclude more, perhaps even with Japan.

Mr Salinas is also directing his reforming zeal to two new areas: education and agriculture.

The education system has provided the country with a relatively high literacy rate (more than 90 per cent of people can read). But higher education is in a mess, teachers are poorly paid, there is little vocational training and school textbooks are outdated.

In Mexico, agricultural

reform is a highly charged political issue. About a quarter of the people depend directly on the land, but they produce only 2 per cent of gross national product. No previous president has dared to overhaul agriculture. Community ownership of many farms and the state's permanent commitment to redistribute land - a reaction to the perceived evils of large landowners - are, like the educational system, still an important legacy of Mexico's bloody revolution of 1910-20.

The agricultural system, says Mr Salinas, increases uncertainty and discourages investment. "We have over-extended the process of land redistribution in Mexico."

Mr Salinas has promised legislation within six months to reform agriculture. His comments suggest he favours abolishing the artificially high prices of maize, although a decision has not yet been made. In its place, income support for poor farmers was "a very clear possibility".

Would he also tackle Petroleos de Mexico (Pemex), the world's fourth largest oil company, which permeates every cranny of the production and use of oil and gas in Mexico?

Mr Salinas has committed himself to further change at Pemex. "We cannot afford to have an inefficient public sector entity like Pemex, because that will permeate into the rest of the economy."

The reforms have helped to refashion the perception of Mexico abroad, and changed Mexico's perception of itself. "The most important thing to consolidate is a change of mentality: meaning, self-confidence in opening the country to the rest of the world."

Yet he still faces many challenges. Although his anti-poverty programme, Solidarity, which will spend \$1.8bn this year, has done much to improve the lot of the poor in some areas, he agrees that more must be done. According

to the World Bank, almost a fifth of Mexico's 52m people do not have enough to eat.

Mexico's record on human rights has recently been rebuked by Amnesty International and the government is finally beginning to respond to such criticisms. The environment is another important issue, particularly in the capital, whose 20m inhabitants make it one of the world's most populous cities.

Mr Salinas is seen by many Mexicans as likely to end the 130-year split between government and the Roman Catholic church; most Mexicans are Catholic.

The Mexican system has given Mr Salinas extraordinary scope to tackle these issues. But it has placed one important constitutional limitation on his powers, deliberately put in place to prevent the rise of a dictatorship: presidents can only serve for one term only.

Would he like to stay on? "There is a constitutional prohibition and that speaks for itself," he said. And in four years? "I will be unemployed."

The shake-out in US services



MICHAEL PROWSE on America

President George Bush must have been relieved to propose deep cuts in nuclear arsenals. By making a bold foreign policy announcement he was able, once again, to divert attention from domestic problems. Last week the White House was embarrassed by poor economic figures, including the first sharp increase in poverty since 1983.

The Bush administration is puzzled that the economy is not yet showing convincing signs of recovery. The Federal Reserve has reduced interest rates sharply - to the lowest levels since the mid-1970s - and taken steps to boost bank profitability. But monetary growth has not picked up and consumer demand appears to be fading rather than strengthening. What is going wrong?

Part of the answer requires a trip down memory lane. Remember the 20m service sector jobs created during the Reagan years? At the time this was hailed as conclusive evidence of the US economy's dynamism and flexibility. In a post-industrial society, expansion of services was seen as the key to future prosperity. The Reagan administration demanded free international trade in services in order to capitalise on its advantage and succeed at the "selective" European Community where dollar queues were spiralling.

Well, it now appears that US service industries over-extended themselves: many of these jobs should never have been created. In the latest issue of the Harvard Business Review, Mr Stephen Roach, a senior economist at Morgan Stanley, the Wall Street investment house, argues that US service industries became chronically inefficient in the 1980s. "Shielded by regulation and confronted by few foreign competitors, service companies have allowed their white-collar payrolls to become bloated, their investments in information technology to wither, and their productivity to stagnate."

But with recession, the day of reckoning arrived. US service companies are now aggressively shedding labour, cutting costs and rationalising operations. This restructuring,

comparable with that undertaken by US manufacturers nearly a decade ago, is being super-imposed on the normal business cycle, complicating the interpretation of economic trends. Although beneficial in the long run, the job cuts are undermining consumer confidence and inhibiting recovery.

Mr Paul Macroe, an economist at J.P. Morgan, the New York bank, addresses the same theme in a recent research note. During the expansion of the 1980s, he argues, service industries were able to raise prices by more than 5 per cent a year, well above the 2-4 per cent received by manufacturers. This inflation differential hid their relative inefficiency. But tighter monetary policy, following Mr Alan Greenspan's appointment as chairman of the Federal Reserve, squeezed them passing on excessive costs to consumers. The inflation differential has vanished, and service producers - from retailers and wholesalers to banks and local government - are retrenching. "As a result, the economy is unlikely to grow rapidly... despite the recent declines in interest rates."

In previous recessions, manufacturing held the key to economic prospects. This is because the service sector provided a relatively secure backdrop, generating job opportunities almost regardless of the plight of "smoke-stack" America. This time the roles are reversed. The decline in manufacturing employment was unusually mild. But the employment performance of service industries has been

worse than in 1973-75 or 1980-82 even though gross national product fell much less steeply. Retailers, transportation, government, finance, insurance and real estate all shed labour; only in health care was growth uninterrupted.

It is no accident that the indicators signalling economic strength in recent months - from industrial production to the Purchasing Managers' Index - relate primarily to the manufacturing sector. Manufacturing output has grown at an annual rate of nearly 8 per cent since April, but may soon falter. The sector's resilience reflected big improvements in productivity during the 1980s and the competitive dollar, which supported exports. Neither factor applies in the case of service industries, which mostly remain depressed.

A manufacturing-led recovery that shifts resources into export industries is desirable given the big trade deficits accumulated during the 1980s. The problem is that service industries account for about three-quarters of private sector jobs. Weakness in services today is thus potentially more damaging for growth than weakness in manufacturing in the early 1980s. As Mr Macroe argues, a much larger proportion of the workforce is worried about job security and pay prospects than in previous downturns. Even jobs in state and local government, once wholly secure, are now under threat. The broader exposure of workers to the rigours of the recession goes far to explain the poor outlook for consumer demand, an essential engine of economic recovery.

The White House is likely to press for further interest rate cuts and more resolute action to ease the "credit crunch" - the alleged inability of creditworthy companies to obtain loans. Such measures may help at the margin. But the extent that the economy's failure to grow reflects more fundamental forces - such as a restructuring of the service sector and an overhang of debt - they may prove irrelevant. The real story of this recession is the shadow cast by the excesses of the 1980s. Only time can heal these wounds.

Major reshuffle on the bench

The appointment of three new Law Lords to replace Lords Bridge, Brandon and Oliver has provoked much gossip in the Inns of Court, from among whose members candidates for high judicial office are exclusively drawn.

The appointments mean that no fewer than one third of the Appellate Committee of the House of Lords (the UK's supreme court) will change. Yet this has merited little attention in our national newspapers. In contrast, a single appointee to the US Supreme Court has attracted, and is still attracting in Britain alone, acres of newspaper space.

Why is it, despite the comparative lack of openness in the British system of appointing its judges, that there is so little media (and presumably therefore public) interest in judicial appointments other than when a notorious case or a miscarriage of justice thrusts the individual judge before the public eye?

The British judiciary is selected nowadays without so much of a whisper from the public. It was not always so. In the 19th century, newspaper commentators were much more forthright about appointments to the High Court bench.

When Lord Campbell in 1859 startled the legal profession by appointing a fellow Scot and a near-briefless junior counsel at the English bar by the name of Colin Blackburn, *The Times* leader, writer expostulated: "Who is Mr Blackburn?"

The surprise turned out to be ill-founded. Which only goes to prove that whatever the method of appointment there were bound to be both irreversible mistakes and dubious



JUSTINIAN

appointments that turn up trumps. This is because it is difficult - perhaps not impossible in the light of modern methods of psychological testing - to predict what sort of judge a person will make.

If the quality of judges depends upon the method and scope of selection and the standards set by the appointing authorities, the risk of mistakes is minimal in the case of a judge's promotion to an appellate court.

Mr Blackburn's demonstration of all the essential qualities of a judicial mind was such that he was made a Law Lord when the Appellate Committee was formed in 1876; his retirement 10 years later was regarded as an irreparable loss. In the reticence of the press today to comment on judicial appointments the product of a self-imposed strait-jacket, grounded in their fear of the laws of contempt? Although scandalising the judiciary is strictly a part of the law of contempt of court, its application is, however, largely obsolescent.

If the media were to comment on the three new Law Lords they would have much to observe, not least because, unusually, not all three

appointments are to take effect at the same time; Lord Bridge does not retire until February when Lord Justice Mustill will finally take his place.

Until the second world war it was common for appointments to the bench to reflect the political complexion of the government of the day. The tradition of non-political appointments was firmly established by Lord Jowitt in 1947. It has been maintained ever since, with the exception of a few of the appointments made by Lord Kilmuir in the late 1950s.

All three new appointees have obtained golden opinions within the profession and to the outsider appear to reflect a judiciously liberal outlook to the law. None has had any outward political affiliations.

Sir Nicolas Browne-Wilkinson, for the last six years the vice-chancellor (head of the Chancery Division), has had 15 years on the bench in the course of which he has been innovative without ever incurring any suggestion of idiosyncratic law making. His period in the late 1970s as president of the Employment Appeal Tribunal was outstanding in wise promotion, through a series of prominent judgments, of the policy of equal opportunities and in assisting the eradication of sex discrimination.

Likewise, Sir Gordon Slynn also had a distinguished three years as president of the Employment Appeal Tribunal. Sir Gordon's career was soon diverted to Europe. For the past 10 years he has been at the European Court of Justice at Luxembourg first as an advocate-general (who gives the court his considered opinion on a case, much like a judgment of a single judge) and then a judge. Before his eleva-

tion to the bench in England he had been the government's main counsel, serving with equal distinction both Labour and Conservative administrations from 1968 to 1974.

Sir Gordon's progress from being High Court judge and judge at the European court to the House of Lords, without first going to the Court of Appeal, will provide further evidence to continental Europeans of the importance which the UK now places on its representation at Luxembourg.

Sir Gordon's replacement at Luxembourg is a matter of acute speculation. The betting is that the Lord Chancellor will favour a Scottish judge. Scotland has a more natural affinity with the legal systems of continental Europe; Sir Gordon's predecessor, the first British judge at Luxembourg, was Lord Mackenzie Stuart, a former judge of the Court of Session.

The third new Law Lord, Sir Michael Mustill, comes from the distinguished stable of commercial lawyers of the Bar. But since becoming a judge he has shown an aptitude for the more humdrum work of a trial judge and later in the Court of Appeal. Off the bench Sir Michael has shown a particular interest in the legal problems associated with mental health.

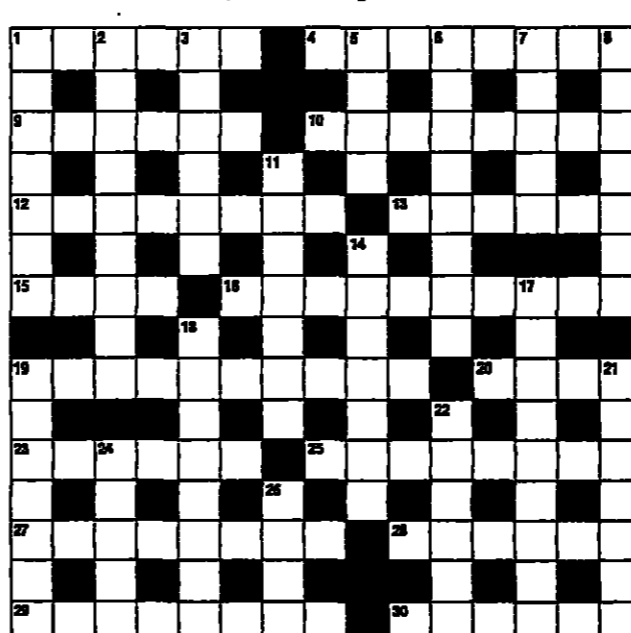
All three new Law Lords are in their early 60s, youthful by judicial standards. Constitutionally they may serve until they reach the age of 75. Whether or not they stay the whole of the course, they will undoubtedly contribute for some years to come to a rejuvenated, if not revitalised final Court of Appeal.

Louis Blom-Cooper QC

JOTTER PAD

CROSSWORD

No.7,659 Set by DANTE



- ACROSS**
- Second best part in a hilarious performance (6)
 - When the beach is mainly covered (4,4)
 - Open an eye? (6)
 - He has a little place in the country (8)
 - Expedition to the French metropolis goes around a river (8)
 - Dances arranged to scale (6)
 - Yet it's difficult for busy people to take it (4)
 - In which the reserves run out (6,4)
 - He sticks up for his employer (10)
 - Widely grown but it's not used (4)
 - Capacity to get on after bitterness? (8)
 - Under strain to return sweets (8)
 - But a tired-looking old carpet may not (4,1,3)
 - Lean spinner is first class (3,3)
 - High noise coming from the radio? (6,2)
 - Order still from a photographer? (4,2)
- DOWN**
- Sort of roll made with herb and an American stuffing (7)
 - Tries to enter bona fide practice (9)
 - A timber found on a ship (6)
 - Girl puts one over teacher (4)
 - It is inclined to keep out of the way when troubles intervene (8)
 - One loses one's head when in a corner (5)
 - A noble estate (7)
 - A non-drinker, he is at heart an unbeliever (7)
 - Hidden - but not from a gunnament (7)
 - Travelled overseas to get home (9)
 - Unusually apt, due to being right in fashion (2,2,4)
 - Close-up of notability? (3,4)
 - One drunkard turns to spy another (4,3)
 - Makes I assemble for the race (6)
 - A vital part of one's body? (5)
 - Card-game depending on luck for a change (4)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday October 12.

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